

Section Three: HOME Narratives



NEW HOME FUNDS FOR 2003–2004 PROGRAM YEAR

RESALE/RECAPTURE PROVISIONS

AFFIRMATIVE MARKETING POLICIES

Introduction

Los Angeles County is a Participating Jurisdiction for HUD's HOME Investment Partnerships (HOME) program. It receives HOME entitlement funds annually that it can use to promote affordable housing in the County through activities such as homeowner rehabilitation, homebuyer activities, rental housing development, and tenant-based rental assistance (TBRA). The Community Development Commission (CDC) of Los Angeles County administers the HOME program for the County.

HOME grant funds have specific requirements applicable only to HOME activities like the 25 percent match with non-Federal funds for HOME dollars allocated to a project. Eligible activities include homebuyer and homeowner rehabilitation activities. Homebuyer programs are structured for acquisition, acquisition and rehabilitation, and new construction of affordable homes.

New HOME Funds For 2003–2004 Program Year

The new Program Year (2003–2004) will begin on July 1, 2003. Total HOME funds available in 2003–2004 are \$14,422,532.

FEDERAL INVESTMENT CRITERIA

Federal regulations require the CDC to apply the following criteria to HOME funds:

- Recipients must be at or below 80 percent of area median income adjusted for household size.
- Up to 10 percent of the grant can be spent on administration and planning.
- At least 15 percent set-aside annually for eligible Community Housing Development Organizations (CHDOs).¹

¹ A CHDO (pronounced cho'do) is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. CHDOs must receive certification by the CDC indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding. The HOME Program definition of a CHDO is found at 24 CFR Part 92.2.

USE OF HOME FUNDS

The following are the eligible activities that will be implemented with HOME funds in 2003-2004:

- HOME Administration
- Construction of Housing
- Direct Homeownership Assistance
- Single-Unit Rehabilitation
- Participating Cities Single-Unit Rehabilitation
- Single-Unit Rental Rehabilitation
- Multi-Family Rental Rehabilitation

Please see Volume II of this Annual Action Plan for specific details regarding these activities.

ELIGIBLE USES OF CHDO FUNDS

- Acquisition and/or rehabilitation of rental housing
- New Construction of rental housing
- Acquisition and/or rehabilitation/new construction of homebuyer properties
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds

AFFORDABILITY PERIODS

The HOME program sets affordability periods that relate to the sale/resale of the property. These periods are based on the amount of HOME funds provided for the property. The County must control the sale/resale of any homebuyer property through either resale or recapture provisions as set forth in §24CFR 92.254.

**Table 3-1
HOME Program Affordability Periods**

HOME Funds Provided	Affordability Period
Less than \$15,000	5 Years
\$15,000- \$40,000	10 Years
More than \$40,000	15 Years

Resale/Recapture Provisions

If affordability periods are not met for homeownership projects, the CDC must have guidelines in place for recapturing property assisted with HOME funds or reselling it. Since the CDC will use 2003–2004 HOME funds to support a first-time homebuyer program it will impose either resale or recapture requirements, at its option, if affordability periods are not met. It will use the HOME funds garnered from the resale or recapture to assist another homebuyer.

The CDC will determine which option (resale or recapture) will be used at initial purchase and so inform the homebuyer. The CDC may use criteria, including first-time homebuyer qualifications and terms of affordability, which are more restrictive than the current HOME Program regulations.

RECAPTURE OF HOME INVESTMENT: EQUITY SHARING

When the net proceeds are sufficient to repay both the CDC’s HOME investment and the homeowner’s investment in the home, the CDC shall recapture a share of the net proceeds that is proportionate to the amount provided by the homeowner and the CDC for the original purchase. The CDC may forgive a prorated share of the net proceeds based upon the amount of time the homeowner occupied the unit during the affordability period.

The CDC will recapture the full HOME investment, unless the affordability period has expired, in which case the homeowner shall be entitled to recapture all the net proceeds. Net Proceeds is defined as the sale price minus loan repayments and closing costs. Homeowner investment is defined as the following costs (if paid by the homeowner): down payment, payments to the principal balance, and the cost of eligible improvements made to the property after purchase.

RESALE OF HOME INVESTMENT: ENFORCEMENT PROVISION

The CDC will record a “Right of First Refusal Agreement” and Trust Deed resale restriction with the homebuyer. This Agreement will ensure that, at a minimum, the full HOME investment will be recaptured from the net proceeds of the sale, as defined above.

Where the net proceeds are insufficient to repay both the HOME investment plus the homeowner’s investment, the CDC will forgive a prorated share of the HOME investment based on the amount of time the homeowner occupied the unit during the affordability period. In such a case, the homeowner will not be permitted to recover more than the homeowner’s investment, as defined above. The prorated share shall be based on an affordability period of 30 years for newly constructed units and 20 years for all other properties, regardless of the amount of HOME investment.

Affirmative Marketing Policy and Procedures

CDC's policy is to disseminate information to the public regarding fair housing laws, as well as its own guidelines for participation in the HOME Program. In accordance with Federal regulations (24 CFR 92.351), the CDC adopted an affirmative marketing policy and procedures. The CDC is committed to equal opportunity in housing choices in the local housing market without discrimination based on race, color, religion, sex, and national origin.

The CDC is also committed to the goals of affirmative marketing, which will be implemented in the HOME Program through a specific set of steps that the CDC and participating groups will follow. These goals will be reached by informing the affected parties and evaluation.

INFORMING AFFECTED PARTIES

The CDC will inform the public, potential tenants, and property owners about Federal fair housing laws and the affirmative marketing policy using the following items:

- Equal Housing Opportunity logotype or slogan in press releases
- New advisories, solicitations for owners and in all written communications
- Special news releases in local neighborhood and ethnic newspapers and public service announcements in the local electronic media
- Meetings to inform owners regarding program participants

The CDC has established procedures to ensure that owners of rental housing developments assisted by the HOME Program solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach. The owners will solicit applications through community-based organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies, among others.

EVALUATION

The CDC has established monitoring procedures to assure that each owner of rental housing adheres to the established requirements and practices in order to carry out the affirmative marketing procedure. The effectiveness of the CDC's affirmative marketing actions will be evaluated and the CDC will take corrective actions if it finds that property owners fail to carry out required procedures. The CDC will inform owners affirmative marketing requirements and ways to improve current procedures. Owners who fail to meet the requirements or to make suggested improvements will be disqualified from future participation in the HOME Program.

Minority and Women-Owned Businesses

The CDC's policy is to afford minorities, women, and small businesses equal opportunity in all procurement and contracting programs.

In a further effort to effectively market the availability of HOME funds to minority and low-income individuals, the CDC works with Southern California based minority groups within its jurisdiction and the Fair Housing Congress. The CDC requests the assistance of community-based organizations, places of worship, employment centers, fair housing groups, and housing counseling agencies in its effort to promote minority participation.

The CDC continues to effectively market its programs to minority communities through the use of advertising, direct mailing campaigns, flyers, brochures, public service announcements, local newspaper advertising, and community meetings.

Community Business Enterprise (CBE) contracting requirements are incorporated on all Requests for Proposals assisted with HOME funds. It is the CDC's policy that at least one of the three required bids be solicited from a minority- or woman-owned business. To qualify as a minority/woman-owned business, at least 51 percent of the business must be owned by minorities or women. Additionally, the active management and daily operations of the firm must be controlled by one or more individuals of minority background or female gender. The Central Services Division and other staff of the CDC co-sponsored the Community Business Enterprise Forum and Contractor Workshop to solicit participation from minority- and women-owned businesses.