

Lompoc Redevelopment Agency

Agenda Item

Meeting Date: February 21, 2006

TO: Gary Keefe, Executive Director

FROM: Christie Alarcon, Housing Programs Technician
e-mail: c_alarcon@ci.lompoc.ca.us

Subject: LOANS TO LOMPOC HOUSING AND COMMUNITY DEVELOPMENT CORPORATION (LHCDC) FOR "T" STREET FIRST TIME HOME BUYER UNITS (APN# 089-161-012)



RECOMMENDATION:

Staff recommends the Redevelopment Agency Board approve or deny the following for the construction of five First-Time Homebuyer units located at the 518 North "T" Street (APN 089-161-012):

1. California Housing Finance Agency (CalHFA) Loan for construction funds in the amount of \$135,000.00;
2. Housing Set-Aside Loan for construction funds in the amount of \$135,000.00;
3. Housing Set-Aside Loan for homebuyer assistance in the amount of \$375,000.00;
4. Amend the existing affordability covenant to reflect the affordability levels at three two-bedroom units to Low-Income households (80% Area Median Income (AMI)), one three-bedroom unit to Median-Income households (100%AMI), and one three-bedroom unit to Moderate-Income households (120%AMI) from the original covenant restriction of three two-bedroom units at Low-Income households (80%AMI) and two three-bedroom unit to Median-Income households (100%AMI); and
5. If approved authorize Executive Director, or his designee, to execute Loan Agreements and all other documents required to make these loans to Lompoc Housing and Community Development Corporation (LHCDC).

BACKGROUND:

LHCDC purchased this vacant parcel in April of 2003 with the assistance of the City of Lompoc Community Development Block Grant (CDBG) funds in the amount of \$140,000. A second layer of financing was provided in March of 2004 from the

Redevelopment Agency's CalHFA loan funds to cover predevelopment cost associated with the Planning Commission submittal as well as the preparation of the final plan and design stages in the amount of \$105,000. The \$105,000 was the first portion of CalHFA funding request. The original funding request was for \$375,000. The Agency chose to fund the project in phases starting with the \$105,000 for predevelopment. LHCDC will not require the \$375,000 subsidy loan until early July 2006; these funds will be financed from the FY 06-07 budget. Initially the \$135,000 in CalHFA loan funds and \$135,000 in Housing Set-Aside (\$270,000) loan funds will be funded incrementally in draws based on completion of project benchmarks.

The final phase of assistance will be in the form of homebuyer assistance at \$75,000 per affordable unit for a total of \$375,000. The \$375,000 will be funded from the First-Time Homebuyer Assistance Program Fund as a loan to LHCDC. At the time of sale the \$375,000 loan will be split to five \$75,000 loans and assumed by each homebuyer. These loans will be deferred for the term of the affordability covenant (45-years), with zero percent interest, and forgiven at maturity.

The proposed project consists of the construction of five First-Time Homebuyer units located within the Old Town Redevelopment Project Area. The subject property is currently a vacant lot, which is bordered by apartment buildings to the east, north, and south. The proposed site has no known history of development and is not expected to have any environmental issues.

The loan of these funds has been determined to be Categorically Exempt pursuant to California Environmental Quality Act (CEQA).

LHCDC proposes to restrict the sales price on three two-bedroom units to Low-Income households (80%AMI), one three-bedroom unit to Median-Income households (100%AMI), and one three-bedroom unit to Moderate-Income households (120%AMI). The Agency will receive an affordability covenant restricting the 5 units for a period of 45 years. The previous covenant restricted units at low and median incomes, however in order to make this development feasible the income levels need to be adjusted as stated previously.

Financing Structure:

This project will be funded as follows:

CalHFA HELP Funds (3%, 2yr term, deferred)	\$ 105,000	} original request for \$375,000
CalHFA HELP Funds (3%, 2 yr term, deferred)	\$ 135,000	
Redevelopment Set-Aside Funds (0%, 2yr term)	\$ 135,000	
Redevelopment Set-Aside Funds (0%, 45 yrs, deferred)	\$ 375,000	
CDBG/State HOME (permanent)	\$ 402,086	
Lompoc Housing Trust Fund (0%)	\$ 430,900	
Construction Loan (4%)	\$ 81,369	
TOTAL	<u>\$1,664,355</u>	

The project costs are detailed as follows:

Land Acquisition	\$ 140,000
Title Insurance	\$ 1,500
Construction Costs	\$ 944,000
Site Improvements & Landscaping	\$ 35,000
Architecture & Engineering	\$ 132,160
Survey & Soils	\$ 4,550
Insurance	\$ 30,000
Appraisal	\$ 1,000
Local Fees	\$ 97,325
Interest Expense	\$ 16,660
Contractor Profit / Overhead (5%-each)	\$ 94,400
Predevelopment	\$ 55,000
Condo Map	\$ 2,500
Contingency (5%)	\$ 47,200
Property Taxes	\$ 6,500
Developer Fee (5%)	\$ 56,560
TOTAL	\$1,664,355

The Agency's total participation in this project will cover 45% of the \$1,664,355 project cost. The predevelopment and construction financing loans which total \$375,000 (CalHFA \$105,000, \$135,000 and Housing Set-Aside \$135,000) will be repaid at the time of sale. The \$375,000 Housing Set-Aside loan shall be divided between the five units and assumed by the proposed homebuyers (\$75,000 per unit) at the time of sale. These units will be marketed to low-income households, teachers, and emergency response personnel such as fire, police, and medical staff.

CONCLUSION:

First Time Homebuyer units are very expensive to produce at the low-income level and usually receive large public subsidy to bring them to fruition. In addition to subsidy, these low-income units are usually mixed with units at higher income levels to meet the financial requirements needed to make a project feasible for development; in this project all five units are restricted.

This project offers many benefits to the community and to the Redevelopment Project Area residents. These ownership units will provide neighboring rental households with a daily reminder that homeownership need not be out of reach for motivated low-income households. This project will be the Agency's initial First-Time Homebuyer Assistance project funded from its First-Time Homebuyer Assistance Program fund. In addition, these units will assist in creating a higher tax base that will filter back to the Agency in tax increment recycling into the Agency's Housing Fund to create additional low-income housing opportunities.

**APPROVED FOR SUBMITTAL TO THE
DEPUTY DIRECTOR:**

Christie A. Alarcon
Housing Program Technician

Linda R. Wertman
Redevelopment Program Coordinator

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Arleen T. Pelster, AICP
Deputy Director, Redevelopment Agency

APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY BOARD:

Gary Keefe
Executive Director

Attached: Map