



REQUEST FOR IRVINE COMMUNITY LAND TRUST BOARD ACTION

LAND TRUST BOARD MEETING DATE:

JANUARY 18, 2012

TITLE: Acquisition of Real Property

A handwritten signature in blue ink that reads "Mark Asturias".

Executive Director

RECOMMENDED ACTIONS

1. Authorize budget appropriation.
2. Direct Executive Director to acquire two existing residential units.
3. Authorize rehabilitation of acquired units.

BACKGROUND:

The Land Trust successfully obtained a Community Development Block Grant and HOME Investment Partnership Act grant (Grant) from the City of Irvine to acquire existing market rate homes for the purpose of creating affordable housing. The Grant was obtained in 2008 and the Land Trust acquired seven homes. The initial effort was to create home ownership opportunities and the Land Trust successfully sold one of the seven homes. With the downturn in the economy and difficulty created by lenders increasing the qualifying thresholds for home buyers the remaining six homes were converted to rental properties. The Grant funds were not totally expended and staff was working with the City of Irvine to allocate these funds to the second phase of the Doria affordable housing project.

Staff spoke with the City of Irvine and they discussed the proposed allocation of our funds (approximately \$282,000) to the Doria project with the federal Department of Housing and Urban Development (HUD). The Doria project has an approved financial commitment from the Land Trust of \$1,600,000 and is expected to start construction at the end of 2012. HUD has indicated that remaining funds must be used by June 30, 2012 or be returned to HUD. As such, the funds will be returned to HUD unless the Land Trust purchases additional homes per the existing Agreement.

Staff has worked with Adam Eliason, from CivicStone, to look at the areas of the community where units are available and where acquisition costs with a potential rehabilitation requirement would not exceed \$400,000. Adam has identified a number of two and three-bedroom units scattered in various areas of the City that are reasonably priced. This allows the Land Trust to acquire up to two additional units, increasing our affordable rental inventory to eight units. To purchase and rehabilitate two units, staff is estimating the acquisition costs will be approximately \$350,000 and rehabilitation costs will be \$25,000 per unit. The estimated budget would be approximately for the acquisition and rehabilitation is recommended at \$375,000 per unit.

With the existing HOME funds of \$282,000 (\$141,000 per property) an additional \$250,000 per unit is recommended for this project and this would complete the requirements of the Grant to acquire and develop affordable housing.

BUDGET ANALYSIS:

The Board approved a six month budget for January to June 2012. The budget includes approximately \$2.9 million in available fund balance that can be used for this project. Additionally, in the approved budget there is \$1.6 million in redevelopment funds allocated to phase 2 of the Doria affordable housing project. Funding from the CDBG and HOME program is not included in our available fund balance however the Land Trust will be applying for funds to offset this obligation. If we are successful in obtaining funding from the City we will be able to free up redevelopment dollars for future projects. Staff is recommending that the board authorize the expenditure of the remaining Grant funds plus an additional budget appropriation not to exceed \$500,000. With this budget, staff will negotiate acquisition costs and will complete any rehabilitation work so that it meets occupancy requirements for affordable rental housing.

Allocating \$500,000 from existing fund balance, there remains approximately \$2.4 million available for future activities. Additionally, the fund balance will be increased by any grants and revenues the Land Trust receives from the Community Development Block Grant and HOME programs and from the Affordable Housing Grant Agreement with the Irvine Redevelopment Agency. The Land Trust will have sufficient funds to continue its operations and project development during the remainder of the budget.