

## Couple Sue Agency Over Home Sale

**The L.A. redevelopment unit that helped them buy a house is breaking state law by trying to penalize them for early resale, they say.**

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Three years ago, the Los Angeles Community Redevelopment Agency helped Larry and Melissa Shields buy their first home.

Today, the couple claim, the agency is attempting to cash in on that assistance. In a Los Angeles Superior Court lawsuit filed this week, the Shieldses and their lawyer, Ron Richards, say the CRA is violating California lending laws by penalizing them for reselling their home early.

The Shieldses, like many Southern Californians, watched their \$210,000 home near USC more than double in value in the last three years. But under their loan contract with the CRA, they had to stay in the house for five years or split resale profits with the agency. In their case, that meant paying the CRA \$110,000 on a \$45,600 second mortgage. They sued the agency after it rejected a proposed settlement.

"It's a travesty," said Larry Shields, 34, a music agent. He and his wife sold the home only after the sudden death of their eldest son sent the family into a financial and emotional spiral, he said.

CRA officials say the purpose of the "shared equity" provision is to discourage speculators from "flipping" properties, especially in the Southland's overheated real estate market.

Many public agencies have taken a similar stance.

At the U.S. Department of Housing and Urban Development, for example, the so-called Good Neighbor program enables full-time police officers, firefighters and teachers to buy HUD homes at a 50% discount with the understanding that they will live at the property for a minimum of three years. If they sell, they must pay back a significant portion of the discount.

San Diego attorney Catherine Rodman, director and supervising attorney at Affordable Housing Advocates, said state law requires community development agencies to safeguard their investments through such provisions as the "shared equity" contract.

The Shieldses won the right to buy their home in 2002 in a CRA lottery.

With four children, Shields said, he and his wife were thrilled to buy the two-story home that had been moved from historic West Adams to the Jefferson Park neighborhood west of USC.

CRA records show that the three-bedroom home, and another residence, were owned by a local church and slated for demolition when purchased by the CRA in 1999 for \$15,000. The homes were moved to the Jefferson Park area the next year and refurbished under a CRA contract at a cost of nearly \$490,000.

With the CRA providing a low-interest second mortgage, the Shieldses closed escrow on the three-bedroom, two-bath home just before Christmas.

"We were excited to have purchased our first home just like anyone in America," Shields recalled. "It is a first step toward a lot of great things."

But a year ago, things began to unravel.

Their 16-year-old son was shot and killed outside a Hollywood dance club when the crowd became so large that authorities broke up the event.

"They were trying to usher people out," Shields said. "Someone pulled a gun and my son took a stray bullet."

The death left his wife so despondent that she could not work for five months, Shields said. "I did the best I could for as long as I could," he said.

There were other reasons to move.

"It was not the safest area," said Shields, whose other children range in age from 4 to 10. "My neighbor had someone jump over her fence after being shot" by a gang member, he said.

But after finding a buyer and agreeing to a price of \$540,000, the Shieldses were told by the CRA that it would not waive the early resell charge.

In a Jan. 8 e-mail to the couple's lawyer, the CRA's legal counsel recommended that the agency's Board of Commissioners accept the Shieldses' settlement offer.

But last week, the commission stood by its position that the agency must share in the home's huge appreciation. The lawsuit will be discussed by the commission behind closed doors at its meeting next week.

"The provisions we have on our home ownership loans and other programs have to have protections for public money," CRA spokeswoman Kiara Harris said. "We are trying to discourage flipping, encourage stable communities and ensure that these affordable homes can stay on the market so other families can have

the same opportunities."

In the last 10 years, Harris said, the CRA has funded 18 home ownership loans. Five of them had shared equity provisions similar to the Shieldses', 11 had less stringent clauses and two had none. It was not immediately clear why the CRA applied different standards in the various loan contracts.

"Different project areas have different requirements," Harris said. "Generally speaking, whether we are providing money to developers or to first-time home buyers, there are strings attached to the money."

But the Shieldses and their attorney say the CRA is missing the point.

"We can all agree that is a noble goal — to prevent speculation on real estate," Richards said. "But that doesn't make it legal to charge more than the state law allows.

"The reality is they are burying the people they are supposed to help."

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