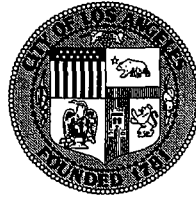


CITY OF LOS ANGELES  
CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

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Council and Public Services  
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Los Angeles, CA 90012  
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HELEN GINSBURG  
Chief, Council and Public Services Division

01-2069-S1

October 4, 2005

Councilmember Parks  
Community Development Department  
Community Redevelopment Agency  
Controller, Room 300  
Accounting Division, F&A  
Disbursement Division

RE: AUTHORIZATION TO NEGOTIATE AND EXECUTE AN ECONOMIC DEVELOPMENT  
INITIATIVE GRANT AGREEMENT BETWEEN THE COMMUNITY DEVELOPMENT  
DEPARTMENT AND THE LOS ANGELES COMMUNITY REDEVELOPMENT AGENCY FOR THE  
MARLTON SQUARE PROJECT

At the meeting of the Council held SEPTEMBER 23, 2005, the following  
action was taken:

Attached report adopted.....	<u>          X          </u>
Attached motion (-) adopted.....	<u>                          </u>
Attached resolution adopted.....	<u>                          </u>
FORTHWITH.....	<u>                          </u>
Mayor concurred .....	<u>          09-27-05          </u>
To the Mayor FORTHWITH .....	<u>          X          </u>

*Frank T. Martinez*

City Clerk  
kw



TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE  
reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u>—</u>

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to authorization to negotiate and execute an Economic Development Initiative Grant Agreement between the Community Development Department and the Los Angeles Community Redevelopment Agency for the Marlton Square Project.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, Community Development Department (CDD), and the Community Redevelopment Agency (Agency) Acting Chief Executive Officer (CEO), Chief Financial Officer, Finance Director, or designees, to negotiate and execute an Agreement and all other related agreements between the CDD and the Agency to TRANSFER \$1.5 million in Economic Development Initiative (EDI) Grant funds from the CDD and for the Agency to receive the \$1.5 million in EDI Grant funds as reimbursement for land acquisition, relocation and related costs associated with the retail component of the Marlton Square project, subject to the review and approval of the City attorney as to form.
2. AUTHORIZE the Agency Acting CEO, or designee, to reimburse the City for: a) periodic interest only payments associated with an amount up to the total of \$9.0 million in U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee funds; and, b) CDD loan fees and HUD cost of issuance associated with the Marlton Square project (the CDD will provide evidence of such payments to the Agency for the reimbursement to the City).
3. AUTHORIZE the Agency Acting CEO, Chief Financial Officer, Finance Director, or designees, to pay the interest only payments, CDD loan fees and HUD cost of issuance associated with the Section 108 loan.
4. AUTHORIZE the Agency Acting CEO, or designee, to take all actions necessary, including amending the Fiscal Year 2005-06 Agency Budget and Work Program, to carry out the recommendations listed in this report.
5. AUTHORIZE the Controller to expend funds from Fund No. 47F, CDD Economic Development Projects, Account No. W201, Marlton Square upon proper demand of the General Manager CDD, or designee.
6. AUTHORIZE the General Manager CDD, or designee, to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with this action, subject to the approval of the City Administrative Officer (CAO), and INSTRUCT the Controller to implement these instructions.

7. AUTHORIZE the General Manager CDD, or designee, to amend the appropriate Consolidated Plan, as needed, to reflect that the EDI Grant funds are in conformance with the recommendations contained in the report and the HUD requirements and to submit the amended Consolidated Plan(s) to the Mayor and the Council for review and approval, subject to the review and approval of the City Attorney as to form.

Fiscal Impact Statement: The CAO reports that there is no impact on the General Fund. The \$9.0 million Section 108 Loan Guarantee and the \$1.5 million Economic Development Initiative Grant funds were previously approved as gap financing for the proposed Marlton Square Project. The recommended funds for the Section 108 debt service payments is in compliance with the City Financial Policies in that 49 percent of City site specific tax revenue generated by the project and future Community Development Block Grant expenditures (approximately \$1.1 million annually for 17.5 - year period) will be used to pay the debt service. In addition, the Community Redevelopment Agency will use the \$1.5 million in EDI Grant funds for the interest only payments, the loan fees and the cost of issuance associated with the Section 108 Loan.

Summary:

At its meeting of September 21, 2005, the Housing, Community and Economic Development (HCED) Committee considered CDD, Agency and CAO reports relative to authorization to negotiate and execute an Economic Development Initiative Grant Agreement between the CDD and the Agency for the Marlton Square Project. The CDD and Agency, by separate reports, request approval to negotiate and execute an EDI Cooperation Agreement between the CDD and the Agency to transfer \$998,287 of the total \$1.5 million in EDI Grant funds to the Agency.

The CAO reports that subsequent to the release of the CDD and Agency transmittals, the departments verbally amended their transmittals and requested approval to transfer the entire \$1.5 million in EDI Grant funds to the Agency because HUD originally approved the grant funds with the requirement that the entire \$1.5 million go to the Agency for the Marlton Square project. The funds will be used to reimburse the Agency for HUD eligible expenses, such as land acquisition costs and relocation expenses associated with the retail component of Marlton Square. The CDD must draw down the funds from HUD by September 30, 2005 and disburse the funds within three days thereafter to avert the loss of the funds. If these actions are not taken, the grant funds will no longer be available to the project.

HUD requires that the companion \$9.0 million Section 108 Loan funds be drawn down in order for the City to request the EDI Grant funds. However, the CDD states that HUD has agreed to allow the City to draw down \$1,000 of the Section 108 Loan funds by the HUD Disbursement Deadline with the remaining amount to be drawn down within the next 12 months. The loan will have a 20-year term with interest only payments for a 2.5 year period and principal and interest payments for a 17.5 year period. Upon the EDI Grant draw down, HUD will bill the City for the interest only payments associated with the amount of the Section 108 Loan drawn down. The City will in turn bill the Agency for the cost of issuance and loan fees (\$501,713) and the HUD Section 108 Loan interest only payments. The Agency will use the \$1.5 million in EDI Grant funds to repay the City. Since the Agency did not expect to receive reimbursement for these expenses, the use of the grant funds will not create a shortfall of funds for the project or any other Agency work program objective.

Marlton Square will be comprised of the following four components and associated parking: 1) single family detached homes (140 units); 2) retail (119,000 square feet); 3) condominiums (150 units); and, 4) affordable senior housing (180 units). The project is bordered by Martin Luther King Jr. Boulevard, Marlton Avenue, Santa Rosalia Drive and Buckingham Road within the

Amended Crenshaw Redevelopment Project Area. The project will provide approximately 330 permanent jobs as well as employ another 200 people during construction.

The CAO reports that project financing is estimated at \$183.3 million with a funding gap of \$43.0 million. The funding gap will be closed with up to \$38.1 million in previously approved public contributions (\$31.4 million from the City and \$6.7 million from the Agency) and \$4.9 million (net bond proceeds) from a proposed creation of a Mello-Roos Public Facilities District. Of the \$31.4 million in previously approved public contributions, the Council approved \$8.5 million in Home Investment Partnership Program funds for the affordable senior housing component. For the single family and retail components, the remaining \$22.9 million in City funds will be as follows:

<u>Funds</u>	<u>Amount</u>
Section 108 Loan Guarantee	\$15,175,000
EDI	2,000,000
Brownfields Economic Development Initiative	2,000,000
Community Development Block Grant	2,700,000
Mayor's Urban Development Action Grant	<u>1,000,000</u>
Total	\$22,875,000

The \$1.5 million EDI Grant was originally approved by HUD to be used as reimbursement to the Master Developer land acquisition and related costs for the retail component. The terms of the Retail Implementation Agreement (RIA) require that the Master Developer attain certain milestones as a condition of receiving any funds, including the grant funds, allocated for the retail component. The CDD and the Agency state that the Master Developer will not attain these milestones in time for CDD to meet the September 30, 2005 HUD Disbursement Deadline. After the deadline, the funds would be forfeited and unavailable to assist the proposed project, as required by the RIA between the Agency and the Master Developer.

In order to draw down the \$1.5 million EDI Grant, CDD must draw down the companion \$9.0 million Section 108 Loan for Marlton Square (\$1,000 by the Disbursement Deadline with the remaining amount to be drawn down within the next 12 months). The City will bill the Agency for the cost of issuance and its fees and the interest only payments for the Section 108 Loan. The interest rate will be variable and is tied to London InterBank Offered Rate (estimated at 3.8 percent). The interest only payments for the \$1,000 in Section 108 Loan funds will begin upon the disbursement date of September 30, 2005. For the entire \$9.0 million Section 108 Loan, the annual interest payments will be approximately \$347,000. The CDD states that HUD has already approved this process.

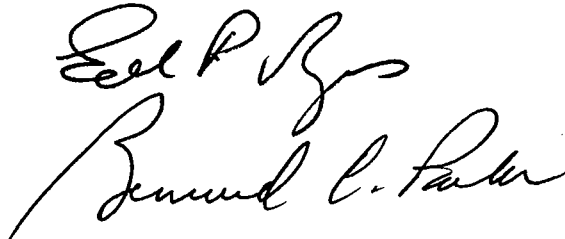
The CAO concurs with the CDD and the Agency recommendations to negotiate and execute an Agreement between the CDD and the Agency to transfer \$1.5 million in EDI Grant funds to the Agency to reimburse the Agency for HUD eligible expenses, such as land acquisition costs and relocation expenses associated with the retail component of Marlton Square.

At its meeting of September 21, 2005, the HCED Committee recommended approval of the CAO recommendations relative to authorization to negotiate and execute an EDI Grant Agreement between the CDD and the Agency for the Marlton Square Project. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
GARCETTI:	YES
REYES:	YES
PARKS:	YES



JW  
#012069.1  
9/22/05  
CD 8

Rpt

**ADOPTED**

SEP 23 2005

**LOS ANGELES CITY COUNCIL  
TO THE MAYOR FORTHWITH**