

REPORT OF THE CHIEF LEGISLATIVE ANALYST

TO: Honorable Members of the Housing, Community
and Economic Development Committee

FROM: Gerry F. Miller *by G. F. Miller*
Chief Legislative Analyst

Council File No. 08-3462
Assignment No. 09-01-0012

CRA - Panama Hotel/Winston Apartments Rehabilitation Project

SUMMARY

The Community Redevelopment Agency (Agency) requests various authorities relative to the existing Deed of Trust against the Panama Hotel, which is owned by the Single Room Occupancy Housing Corporation (SROHC). The SROHC plans to continue to operate the front portion of the Panama Hotel as emergency shelter under a contract with the Los Angeles Homeless Services Authority, while the rear section will become 40 units (plus one manager's unit) of permanent supportive housing to be called the Winston Apartments.

Requested actions are summarized as follows:

1. Approval of the Agency Board's adoption of a Resolution (Attachment B to the Agency's report dated December 18, 2008) making the necessary findings to subordinate the Agency Deed of Trust and affordability and use restrictions against the Panama Hotel;
2. Authorize the Agency to record new 55- year covenants against the Panama Hotel/Winston Apartments; and
3. Authorize the Agency to negotiate and execute a Memorandum of Understanding with SROHC to make units available to eligible former tenants of the Panama Hotel.

The Agency reports that the SROHC has been approved by Union Bank and the California State Department of Housing and Community Development for the necessary financing to fund the development of the new permanent supportive housing units as proposed. This financing is contingent on subordination of the existing Agency Deed of Trust and other Agency restrictions related to a prior Agency loan to SROHC for the original purchase of the property. The Resolution adopted by the Agency Board of Commissioners makes findings that the SROHC would be unable to secure rehabilitation financing unless the Agency subordinates the existing Deed of Trust.

Subordination of the Agency Deed of Trust, will result in new 55-year affordability covenants to be recorded by the Agency against the property, which will require that the new permanent supportive housing that SROHC will develop in the rear section of the Panama Hotel remain affordable until 2064. The Agency reports that the current covenants on the property expire in 2030. The new covenants will also correct various inconsistencies in the existing covenants so that they accurately reflect the current nature of the project.

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The Agency also requests authority to negotiate and execute a Memorandum of Understanding (MOU) with SROHC to make the new permanent supportive housing units available on a priority basis to eligible former tenants of the Alexandria Hotel. At this time, there is not sufficient information relative to the basis for the proposed MOU. As such, we recommend that the Council defer approval of this recommendation and request the Community Redevelopment Agency to provide further justification.

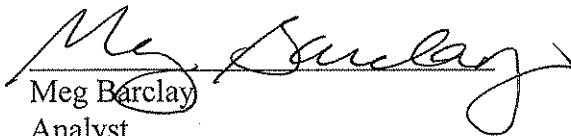
RECOMMENDATIONS

That the Council:

1. Approve the action of the Community Redevelopment Agency (Agency) Board of Commissioners to adopt a Resolution (Attachment B to the Agency's report dated December 18, 2008) making the necessary findings to subordinate the Agency's Deed of Trust, covenants and use restrictions to the construction and permanent loans already awarded to SRO Housing Corporation for the proposed Panama Hotel/Winston Apartments project;
2. Authorize the Agency Chief Executive Officer (CEO), or designee, to record new 55-year covenants against the Panama Hotel/Winston Apartments to replace existing covenants; and
3. Defer approval of the Agency recommendation to negotiate and execute a Memorandum of Understanding with SRO Housing Corporation to make referral units available on a priority basis to eligible former tenants of the Alexandria Hotel until such time as the Agency returns to Council with sufficient information to justify the recommended housing priority.

FISCAL IMPACT

There is no impact to the General Fund resulting from this action.


Meg Barclay
Analyst

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