

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 24, 2015

CAO File No. 0220-00540-1136

Council File No. 09-0285

Council District: 1, 9

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Housing and Community Investment Department transmittal dated May 13, 2015;
Received by the City Administrative Officer on May 22, 2015

Subject: **REQUEST FOR AUTHORITY TO NEGOTIATE AND EXECUTE A NEW LOAN AGREEMENT WITH URBAN HOUSING COMMUNITIES 00014 LOS ANGELES, L.P., AND VARIOUS ACTIONS RELATED TO PHASE A-2 OF THE CROSSINGS ON 29TH STREET PROJECT AND APPROPRIATE AND EXPEND FUNDS FOR THE YALE STREET FAMILY HOUSING PROJECT**

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to negotiate and execute a new loan agreement with Urban Housing Communities 00014 Los Angeles, L.P. (UHC) and amend agreements related to Phase A-2 of the Crossings on 29th Street Project, located at 848 29th Street and 2901 South Griffith Avenue in Council District 9. The new agreement would have a term beginning retroactive to February 29, 2012, through June 29, 2016, and a loan amount of \$1.1 million. The loan funds will be used to correct an Abatement Order issued for the property and to address other pre-development issues related to the site. The HCID also requests authorization for the Controller to appropriate and expend funds within Low and Moderate Income Housing Fund No. 55J, Account 43K008 AHTF for the Yale Street Family Housing Project. The requested funds represent the remainder of a \$4.2 million loan made to the developer, Affirmed Housing Group, by the former Community Redevelopment Agency of Los Angeles (CRA/LA) and will be used to facilitate the conversion of the Yale Street Family Housing Project to permanent financing. There is no impact to the General Fund. This Office concurs with the recommendations of the Department.

BACKGROUND

On June 18, 2007, the CRA/LA entered into a loan agreement with UHC in the amount of \$3.5 million for the Crossings on 29th Street Project, which was initially proposed as an acquisition and new construction of 70 units of affordable housing for very low-, low-, and moderate-income families (C.F. 07-0826). The UHC was not able to acquire a parcel in the middle of the subject site and therefore, the project was not able to move forward. On March 20, 2009, the Mayor and

Council authorized CRA/LA to restructure the original \$3.5 million loan into two separate loans for a two-phase development. The loan was restructured as a \$3 million construction loan to Urban Housing Communities Los Angeles 29, L.P. for Phase A-1 and a \$500,000 acquisition and pre-development loan to UHC for Phase A-2 (C.F. 09-0285). Phase A-1 was a 24-unit affordable housing project that was completed on January 25, 2012 and is located at 814 E. 29th Street. The original CRA/LA loan to UHC for Phase A-2 was executed on August 30, 2010, and had an 18-month term.

On March 22, 2011, the Council adopted a motion authorizing CRA/LA to amend the existing loan agreement with UHC to increase the loan amount by \$600,000 for a total loan of \$1.1 million for pre-development activities related to Phase A-2. The Motion did not include authority to extend the term of the loan agreement, which expired on February 29, 2012 (C.F. 09-0285). The CRA/LA was dissolved in February 2012, and as part of the dissolution process, the loan to UHC for Phase A-2 was transferred to HCID as the Housing Successor to the CRA/LA (C.F. 12-0049). The Recognized Obligation Payment Schedule (ROPS) 13-14A for the CRA/LA Successor Agency (CRA/LA-DLA), approved by the California Department of Finance, listed \$600,000 as an outstanding obligation for Phase A-2 of the Crossings at 29th Street Project. The CRA/LA-DLA has not transferred the funds on ROPS 13-14A to the City pending an executed agreement with UHC for Phase A-2 of the Crossings at 29th Street Project.

The Phase A-2 development is pending the negotiation and acquisition of the remaining parcel and receipt of the remaining funds from the CRA/LA loan. Furthermore, the Department of Building and Safety issued an Abatement Order for a Nuisance Property for one parcel of the Phase A-2 subject site. On November 17, 2014, HCID staff visited the site and found squatters camped in the backyard of the Phase A-2 property. The funds from the proposed \$1.1 million loan agreement with UHC will be used to address the Abatement Order, complete the acquisition of the Phase A-2 site, and allow UHC to seek other funding sources to fully finance the project.

Yale Street Family Housing

The Yale Street Family Housing project is 60-unit affordable housing development in Council District 1 and was completed in July 2014. The project is currently in the process of converting to permanent financing, and part of the permanent financing is a loan from CRA/LA, transferred to HCID as a housing asset, in the amount of \$4.2 million with a balance of \$738,700. The remaining funds have not been disbursed to the Affirmed Housing Group for the Yale Street Family Housing Project and HCID requests authorization for the Controller to appropriate and expend funds within Low and Moderate Income Housing Fund No. 55J, Account 43K008 AHTF in the amount of \$738,700 to convert to permanent financing.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:
 - a. Negotiate and execute a new loan agreement with Urban Housing Communities 00014 Los Angeles, L.P. (UHC), based on the previous loan agreement between the former Community Redevelopment Agency of Los Angeles (CRA/LA) and UHC, with required modifications and revisions to comply with City contracting standards and policies, for the development of Phase A-2 of the Crossings on 29th Street Project in the amount of \$1,100,000 for a term to begin retroactive to February 29, 2012 through June 29, 2016, with an interest rate of three percent, subject to the approval of the City Attorney as to form;
 - b. Negotiate and execute amendments to the Deed of Trust and Promissory Note for the loan to UHC from CRA/LA to add funding in the amount of \$600,000 and extend the terms of the documents, for a new term from August 30, 2010 through June 29, 2016, subject to the approval of the City Attorney as to form;
 - c. Approve the disbursement and use of \$600,000 from the Low and Moderate Income Housing Fund No. 55J, Account 43K008 AHTF, for Phase A-2 of the Crossings on 29th Street Project to pay for pre-development and site preparation costs;
 - d. Prepare Controller instructions for necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement those instructions.
2. Authorize the Controller to:
 - a. Appropriate \$600,000 within Low and Moderate Income Housing Fund No. 55J, Account 43K008 AHTF, upon receipt of funds from the CRA/LA Successor Agency (CRA/LA-DLA) for Phase A-2 of the Crossings on 29th Street project; and,
 - b. Increase appropriations within Low and Moderate Income Housing Fund, Account 43K008 AHTF, in the amount of \$738,700 for the Yale Street Family Housing Project, and expend those funds upon proper demand of the General Manager, HCID, or designee.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Funding will be provided by funds received from CRA/LA-DLA for Phase A-2 of the Crossings on 29th Street Project and the Yale Street Family Housing Project. The recommendations in this report are in compliance with City Financial Policies, as they are fully supported by CRA/LA funds received by the City.

MAS:NSC:02150125C