

# TRANSMITTAL

To:

**THE COUNCIL**

Date:

**JAN 27 2014**

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Mercedes M. Márquez, General Manager

Housing Development Bureau  
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December 26, 2013

Council File: 12-0018  
Council District: 1, 7 & 8  
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Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**TRANSMITTAL: REQUEST FOR APPROVAL OF VARIOUS ACTIONS RELATIVE TO THE DISPOSITION OF THE CITY-OWNED PROPERTY LOCATED AT 10219-23 MAIN ST. & 11150 GLENOAKS BLVD. UNIT 86, LOS ANGELES AND AUTHORITY TO SELL TWO FORMER LOS ANGELES COMMUNITY REDEVELOPMENT AGENCY PROPERTIES**

**SUMMARY:**

The General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) requests approval of various actions relative to the disposition of the City-owned residential properties located at 10219-10223 Main Street & 11150 Glenoaks Boulevard, Unit 86 (Properties). Actions needed include the approval of an ordinance to effectuate the sale, approval of sales and purchase agreements of the Properties with the selected purchasers. HCIDLA is utilizing the services of a contracted Real Estate Broker to market these properties to potential buyers and facilitate the sale transactions.

**RECOMMENDATIONS:**

The General Manager of HCIDLA respectfully requests that:

1. Your Office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter;
2. The City Council, subject to the approval of the Mayor, take the following actions:
  - A. Authorize the General Manager or his/her designee to execute the attached purchase and sales agreements for 1.) the Main Street property with Rosalinda Santana and 2.) Glenoaks Boulevard property with Maria De La Cruz.

- B. Approve the related ordinance to be submitted by the City Attorney under separate cover effectuating the sale of the Properties.
- C. Authorize the General Manager or his designee to execute all other ancillary documents required to effectuate the sale of the Properties.
- D. Authorize the General Manager or his designee to direct the real estate broker to pursue the market-rate disposition of recently acquired Los Angeles Community Redevelopment Agency (CRA/LA) properties located at 1119 Albany Street, Unit 330, and 1119 Valencia Street, Unit 208.

**BACKGROUND:**

In June 2013, HCIDLA received City Council and Mayor authority to sell the properties located at 10219-23 Main Street and 11150 Glenoaks Boulevard, Unit 86 under the transmittal report dated December 20, 2011 (C.F. 12-0018). This council action had established neither of these properties served HCIDLA's mission nor provided a public benefit. Also, it would be more appropriate to dispose of these properties expeditiously through a real estate broker rather than a Request for Proposal process. Current HCIDLA contractor, Altera Real Estate, initiated the marketing of these properties for sale. Lastly, as stated in this transmittal Report, HCIDLA will return to City Council and obtain Mayoral approval of the final terms of the sale.

**11150 Glenoaks Blvd. Unit 86 and 10219-10223 Main Street**

In 2002, HCIDLA made a \$60,000 loan through the City's Soft-Second program that targets first-time homebuyers that are low or moderate income. HOME funds were used to assist the borrower purchase a condominium located at 11150 Glenoaks Blvd. Unit 86. A Notice of Default was recorded in June 2008 and a subsequent Trustee Sale was held on September 2008. HCIDLA then acquired the property through a foreclosure action at the Trustee Sale to protect the original loan amount of \$60,000. The unit is currently vacant and HCIDLA is currently responsible for managing and maintaining the property and paying for all Home Owners Association (HOA) dues, maintenance fees and insurance costs.

In 2005, HCIDLA made a \$175,000 loan utilizing HOME funds to a non-profit organization for the purchase of a 4-unit property located at 10219-10223 Main Street. The loan was an interest free loan that was due and payable 20 years from the date of the Promissory Note. A Notice of Default was originally received by HCIDLA on August 17, 2009 and subsequently followed by a Notice of Sale. HCIDLA completed foreclosure on December 17, 2010, and paid off the senior lender using Neighborhood Stabilization Program funds. This allowed HCIDLA to protect the original loan amount of \$175,000, which eliminated the need to repay HUD by protecting the covenants and preserving affordable units. The property is currently occupied and HCIDLA is responsible for managing and maintaining it.

On December 11, 2009, the City Council approved the selection of Altera Real Estate as HCIDLA's real estate broker for the purpose of assisting HCIDLA with a variety of real estate transactions, including the purchase and sale of City-owned properties (CF 09-0374). Altera Real Estate, currently has a contract in place to provide the previously described services. The Broker marketed the property by listing them on Multiple Listing Service (MLS) to ensure it will be sold at a fair market price to maximize recovery of HCIDLA's funds invested in these properties. HCIDLA directed Altera Real Estate to implement certain measures to ensure the single family residence was purchased by a low- or moderate-income first-time home buyer. Funds generated from the sale will be used to pay off any senior loans on the properties with remaining funds to be reinvested as Program Funds to serve HCIDLA's mission of developing and preserving affordable housing.

## **Status of the Sales**

11150 Glenoaks Blvd. Unit 86 is one-bedroom condominium and is approximately 642 square feet. It is located in Pacoima and was listed at its appraised value of \$119,000. Two offers were received on this property; one at the listing price and the other at \$125,000. The second offer requested three percent as a credit back to the buyer to cover closing costs. The resulting net price will be \$121,250, \$2,250 above the listing price. The first purchaser declined their offer and has moved on. HCIDLA revised the sale terms to extend the close of escrow period to accommodate the time needed to obtain City Council approval for this sale and an ordinance to be drafted by the City Attorney. The second buyer has accepted HCIDLA's revision and escrow was opened on November 19. A purchase and sales agreement has been signed between HCIDLA and the buyer, Maria De La Cruz. HCIDLA included another condition that required the buyer to be a low or moderate-income, owner-occupant. Information regarding HCIDLA's homeownership programs for low and moderate-income homebuyers was forwarded to the buyer's agent. There are no existing recorded Affordability Restrictions on the property.

10219-10223 Main Street is a multi-family property consisting of four, two-bedroom units. The real estate broker listed the property at the appraised value of \$400,000 and four offers were received. A multiple bid notice was then sent to potential buyers and the highest offer was selected at \$435,000. A purchase and sales agreement has been signed between HCIDLA and the buyer, Rosalinda Santana. The buyer has deposited a check into an escrow account and physically inspected the property. Escrow is currently open and the close of sale is subject to the drafting and execution of the ordinance. There is an Appraisal Contingency, paid for by the buyer that may affect the sale price and an existing Affordability Agreement on the property that restricts rents of all four units to be no greater than the high HOME Rent level as set annually by HUD for the Los Angeles area. The buyer has agreed to be in compliance with the affordability restrictions and ensure that all tenants are income eligible, as stipulated in the Regulatory Agreement. The Regulatory Agreement will remain in effect through 2018.

## **Request Authority to Dispose REO Property**

In February 2013, the City Council and Mayor granted authority for HCIDLA to become the Housing Successor Entity to carry out the housing functions and responsibilities of the Community Redevelopment Agency of Los Angeles (CRA/LA) (CF 12-0049). HCIDLA is requesting authority to sell two vacant condominium units that were acquired during the transfer of housing assets, functions and obligations. Prior to HCIDLA signing and executing the transfer agreement, it was also approved by the CRA/LA oversight board and State Department of Finance. Since acquiring the portfolio of CRA/LA properties, HCIDLA staff has performed the functions of portfolio management, occupancy compliance monitoring, and the securing and property maintenance of vacant properties.

The two vacant units are a part of the same condominium complex, Vista Montoya. Both units were transferred to HCIDLA from CRA/LA through one recorded Quitclaim Deed. HCIDLA seeks to sell these units expeditiously due to the ongoing expenses involved in paying the Home Owners Association fees and insurance costs. Also, since these units are vacant, they are not generating any income to cover these costs. Lastly, if there are not enough owner-occupied units at this particular complex, future buyers at this complex will not qualify for Federal Housing Administration approved loans. This condominium complex has 198 units. The property addresses are as follows: 1119 Albany Street, Unit 330 and 1119 Valencia Street, Unit 208. Upon the granting of authority to sell, HCIDLA will direct the current contracted real estate broker to pursue the market-rate sale of these two properties.

## **FISCAL IMPACT**

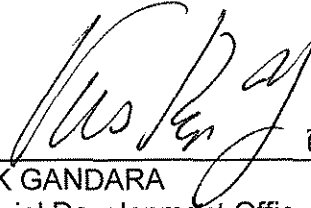
There is no impact on the General Fund.

Prepared by:



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THANH DOAN  
Management Analyst II, Portfolio Management

 For MG

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Portfolio Management

Reviewed by:



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VASKEN DJANSEZIAN  
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 For DS

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DOUGLAS SWOGER  
Director of Housing

Approved by:



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HELMI ANN HISSERICH  
Assistant General Manager



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RUSHMORE D. CERVANTES  
Acting General Manager

Attachments:

- 1) Property Appraisal
- 2) Purchase and Sales Agreement