



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
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hcidla.lacity.org

August 20, 2018

Council File #: 12-0049-S21
12-0049-S10
12-0049-S11
17-0862
Council Districts: 8
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 North Spring Street
Los Angeles, CA 90012

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

Attention: Adam Lid, Legislative Assistant

AMENDMENT NO. 1 TO COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST AUTHORITY TO SELL A CITY-OWNED PROPERTY LOCATED AT 9513 SOUTH SPRING STREET

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve an amendment to the transmittal dated August 6, 2018 (C.F. 12-0049-S21) requesting that the Mayor and City Council authorize various actions related to the sale of a City-owned housing asset (property) at 9513 South Spring Street for the purpose of developing it into an affordable homeownership property. In the August 6th transmittal, HCIDLA stated an intent to enter into a City acquisition loan, City grant agreement, and Covenant agreement with the developer and a subsequent transfer of all the agreements to the homebuyer for the purpose of conveying the property. After the transmittal submission, the following considerations arose: 1) There is a concern that the transfer of the City grant agreement to the homebuyer would place an undue tax burden on the buyer; 2) a clarification on the income level of the qualified homebuyer is needed; and, lastly, 3) an updated and executed term sheet agreement must be prepared to replace the one in the transmittal.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- I. Remove any and all references in the transmittal that the City Grant Agreement will be transferred to the qualified homebuyer;
- II. Stipulate that the qualified homebuyer may be a low- or moderate-income family; and,

- III. Replace the term sheet agreement in the transmittal with the updated and executed term sheet agreement (see Attachment A).

BACKGROUND

On August 6, 2017, HCIDLA released a transmittal with recommendations to execute a loan agreement, grant agreement, and covenant agreement with Habitat for Humanity of Greater Los Angeles (Developer) and the selected homebuyer, resulting in the development of an affordable homeownership project.

Subsequent to the release of the aforementioned transmittal, HCIDLA determined that a City grant agreement, where \$48,000 of the land value is excused, may result in an undue tax burden on the qualified homebuyer. Such a burden runs counter to HCIDLA's intent for this project, which is to promote affordable homeownership for a low- or moderate-income homebuyer. Therefore, HCIDLA recommends the removal of any and all references in the transmittal that the City grant agreement will be transferred to the qualified homebuyer.

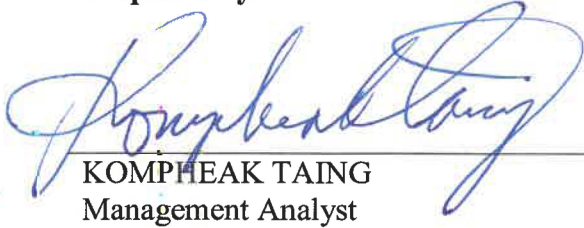
Secondly, HCIDLA recognizes a need for clarification in the definition of a qualified homebuyer for the purchase of the property. In the transmittal, the eligible homebuyer is defined as low-income. HCIDLA requests an expansion of this description to a low- or moderate-income family.

And finally, when the transmittal was released, HCIDLA had not executed the term sheet agreement with the Developer. The Term Sheet Agreement was executed on August 15, 2018. The executed term sheet agreement included changes to the draft term sheet, but none are material.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations contained in this report will authorize HCIDLA to amend the August 6th transmittal to remove references to the transfer of the City grant agreement to the homebuyer, clarify the income level of the homebuyer, and replace the draft term sheet with the executed term sheet.


Prepared by:


KOMPHEAK TAING
Management Analyst

Reviewed by:


HELMI A. HISSERICH
Director, Housing Strategies & Services

Reviewed by:


SEAN L. SPEAR
Assistant General Manager

Reviewed by:


LAURA K. GUGLIELMO
Executive Officer

Approved by:


RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS:

Attachment A: Executed Term Sheet – 9513 S. Spring Street

Attachment A:

Executed Term Sheet – 9513 S. Spring Street

**9513 S. Spring Street
Acquisition Loan Agreement
Key Terms and Conditions**

1. Parties to the Agreement:

The City Acquisition Loan Agreement ("Acquisition Loan") for the 9513 S. Spring Street project shall be entered by and between the City of Los Angeles, a municipal corporation ("City"), and Habitat for Humanity of Greater Los Angeles ("Developer").

2. City Site Description:

The following parcel of land is currently owned by the City:

	Address	APN	Parcel Size (Sq)	Legal Description
City Site	9513 S. Spring Street Los Angeles, CA 90003	6053-006-904	5,010	Attachment A

3. City Site History:

The City Site ("Site") was acquired in 1994 by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA), as a part of a larger purchase of land formerly occupied by the Broadway Hospital and parking area with Bunker Hill Housing Funds. The Site is located in Council District 8, and in the Broadway Manchester Recovery Redevelopment Project Area. On May 24, 2013, the Site was transferred to HCIDLA, the Redevelopment Successor Agency. The Site is currently vacant.

4. Development Plan Summary:

The Development Plan shall be implemented and completed as described below; subject to receipt by the Developer of approval by the City of all discretionary land use applications; and the receipt by Developer of the necessary enforceable financing commitments:

- a. Project Summary: The Spring Street Project will be developed as a for-sale property with one (1) single family home (SFH) and one (1) accessory dwelling unit (ADU). SFH and ADU will have a 6 foot wooden fence surrounding the property. In addition, another wooden fence will partition the SFH and ADU from one another. The SFH will include a two-car garage. ADU will not have a parking space.
- b. Project Site Size: 5,010 Square Feet
- c. Gross Building Area: 2,100 sq. ft (1,149 sq. ft SFH living area, 457 sq. ft garage, and 494 sq. ft ADU)
- d. Unit Mix: 1 SFH with three-bedroom/two full bath and 1 ADU with one-bedroom/one full bath
- e. Parking: 2 spaces
- f. Target Population: Household earning no more than 110% of HCD's Area Median Income.
- g. ADA Requirements: A CASp will be retained for the Project, which will comply with all City requirements. The home will be adaptable to persons with mobility impairments and/or sensory impairments. Should the homebuyer require the unit to be accessible, all required improvements will be completed by Developer prior to occupancy of the home.
- h. Amenities: Both SFH and ADU will include air conditioning unit, an oven, refrigerator, microwave, private backyard, and drought tolerant plants with smart irrigation. Renewable building materials and impervious concrete will be used when applicable. SFH will be Solar Power Ready. Garage will be EV plug in ready with 220 Volt Outlet installation.

5. Purchase and Sale of the City Site:

The City agrees to sell and convey to Developer and the Developer agrees to purchase and accept from the City, the fee interest in the City Site in accordance with the Acquisition Loan Agreement, and the Grant Deed.

6. Purchase Price for City Site:

The City agrees to convey the City Site to Developer and the Developer agrees to purchase the City Site for the Fair Reuse Value of the City Site base on the fair reuse analysis conducted by an HCIDLA ("Purchase Price"). The City agrees to convey the difference between the fair market value and fair reuse value as a land grant.

7. Developer Pro Forma:

Attached ("Attachment B") is the current Developer Pro Forma for the Project.

8. Project Site Plan:

Attached ("Attachment C") is the current Elevation and Site Plan for the Project.

9. Labor Rates:

The Project may incur federal Davis Bacon, if applicable, and state prevailing wages.

10. Deferred Developer Fee:

The total deferred developer fee is estimated at \$18,910. Developer will collect Developer Fee upon sale of the property to a homebuyer.

11. Social Services to be Provided at Project:

No social services will be provided.

12. City Loan Terms

The City agrees to convey its acquisition loan ("City Acquisition Loan") to the Developer with the following terms:

- a. The City Acquisition Loan Amount will be equal to the Purchase Price of the City Site.
- b. The City Acquisition Loan will have a 0.0% simple interest rate applied.
- c. The City Acquisition Loan will include a City Land Regulatory Agreement (see Section 14) .
- d. Once the unit is sold to a qualified homebuyer ("Eligible Purchaser") the Acquisition Loan will be reconveyed into a second mortgage to be executed between the City and the Eligible Purchaser.
- e. The proceeds of the second mortgage will be used to repay the Acquisition Loan.
- f. The second mortgage will follow similar guidelines as HCIDLA's Moderate Income Purchase Assistance program including, but not limit to:
 - i. Deferred payment
 - ii. 0% interest
 - iii. 30 years term
 - iv. Shared appreciation component

13. Subordination:

The following summarizes the agreed upon subordination assumption for the City's loans:

Description	Subordination
City Acquisition Loan	Subordinated to Senior Mortgage Loan
City Second Mortgage Loan	Subordinated to Senior Mortgage Loan

14. Affordability Restrictions:

Units' income and affordability requirements will be restricted by the following 30-year, from re-conveyance of City Acquisition Loan to a Homebuyer's second mortgage, regulatory agreements as follows:

- a. City Land Regulatory Agreement (per California Health & Safety Code):

	Income Restriction	Rent Restriction	1-Bdrm Units	3-Bdrm Units	Total Units
Very-Low Income HCD	\$50105	\$50053	1	0	1
Low to Moderate Income HCD	\$50079.5, \$50093	\$50053	0	1	1
Total Units			1	1	2

- b. If ADU is an income unit, City Land Regulatory Agreement for 1-Bdrm Unit applies.
c. The affordability restrictions will end when the full amount of the second mortgage is due in 30 years or when the units are sold at fair market value during the 30 years.

15. Developer Financing Plan:

The following summarizes the Developer's Financing Plan for the Project:

Sources	Amount
Habitat for Humanity Equity	\$150,000
Construction Financing (Bank)	\$188,561
HCIDLA Acquisition Loan (Land)	\$159,000
HCIDLA Grant (Land)	\$48,000
Deferred Developer Fee	\$18,910
Total	\$564,471

16. Buyer Financing Plan:

The following summarizes the Buyer's Financing Plan for the Project:

Sources	Amount
First Position Mortgage*	\$293,500
Homebuyer Funds (At least 1% of Sales Price)	\$5,250
WISH Funding (FHLBSF)	\$15,000
Habitat for Humanity Funding	\$67,250
City of Los Angeles Acquisition Loan	\$159,000
Total	\$540,000

*If the Eligible Purchaser's mortgage is less than the indicated First Position Mortgage amount, Habitat for Humanity will fill the financial gap with their soft loan.

17. Milestones:

The Developer agrees to proceed with the Project's development according to following dates:

Action	Date
Preliminary architectural review	March 2018 (completed)
Complete working drawings	March 2018 (completed)

City Acquisition Loan Execution	September 2018
City Land Conveyance	September 2018
Obtain building permits	September 2018
Begin construction	September 2018
Obtain Notice of Completion	October 2018
Sell Unit	November 2018

[Signatures on the next page]

18. Agreement of Key Terms and Conditions:

This agreement of key terms and conditions is not a contract nor is it a guarantee of a funding commitment by the City. It is a worksheet that will be utilized to prepare the Acquisition Loan Agreement and associated City contractual documents.

HCIDLA

City of Los Angeles Housing and Community Investment Department

By: 
Sean L. Spear
Assistant General Manager

Date: 8/15/18

DEVELOPER

Habitat for Humanity of Greater Los Angeles

By: 
Erin Rank
President & CEO

Date: 8-15-18

Attachment A	City Parcel Legal Description
Attachment B	Developer Pro Forma
Attachment C	Site Plan

Attachment A – Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOT 5 OF TRACT NO. 4055, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 39, PAGE 90 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER ALL OF THE ABOVE DESCRIBED REAL PROPERTY, BUT WITHOUT ANY RIGHT TO PENETRATE, USE OR DISTURB SAID PROPERTY WITHIN 500 FEET OF THE SURFACE THEREOF, AS EXCEPTED AND RESERVED IN DEED RECORDED NOVEMBER 6, 1992 AS INSTRUMENT NO. 92-2047803.

SPRING STREET

CONSTRUCTION SOURCES AND USES

SOURCES OF FUNDS	AMOUNT	INT RATE	TERM (Mo.)
Developer Equity	\$ 150,000.00	0	0
Developer Const. Financing	\$ 188,561.00	6	6
Deferred Developer Fee	\$ 18,910.00		
HCIDLA Acquisition Loan (Land)	\$ 159,000.00	0	
HCIDLA Grant	\$ 48,000.00	0	
TOTAL FUNDS	\$ 564,471.00		

excludes const.
financing interest
& contingency

USES OF FUNDS			
PREDEVELOPMENT	QTY	AMT PER	AMOUNT
Phase I Env Assessment	1	\$ 2,000.00	\$ 2,000.00
Survey	1	\$ 2,500.00	\$ 2,500.00
Arch, Structural, Landscape Design	1	\$ 14,561.00	\$ 14,561.00
TOTAL PREDEVELOPMENT		\$ 19,061.00	\$ 19,061.00
Land Acquisition	1	\$ 207,000.00	\$ 207,000.00
CONSTRUCTION	QTY	AMT PER	AMOUNT
Single Family Home			
Construction Team Labor	1	\$ 60,000.00	\$ 60,000.00
Construction Admin.	1	\$ 5,000.00	\$ 5,000.00
Carport	1	\$ 35,000.00	\$ 35,000.00
Accessories	1	\$ 1,500.00	\$ 1,500.00
Bathroom Finishes	1	\$ 1,500.00	\$ 1,500.00
Carpentry	1	\$ 30,900.00	\$ 30,900.00
Doors+Windows	1	\$ 4,950.00	\$ 4,950.00
Driveway, Curb and Sidewalk	1	\$ 22,500.00	\$ 22,500.00
Drywall	1	\$ 7,900.00	\$ 7,900.00
Electric Temp	1	\$ 900.00	\$ 900.00

Electrical	1	\$	6,050.00	\$	6,050.00
Fencing Temp	1	\$	900.00	\$	900.00
Fencing Perimeter	1	\$	3,950.00	\$	3,950.00
Fire Suppression	1	\$	4,500.00	\$	4,500.00
Flooring Polish		\$	-	\$	-
Foundation	1	\$	14,500.00	\$	14,500.00
Grading	1	\$	3,500.00	\$	3,500.00
HVAC	1	\$	4,500.00	\$	4,500.00
Kitchens+Bath	1	\$	4,950.00	\$	4,950.00
Landscape	1	\$	4,500.00	\$	4,500.00
Meter Electric		\$	-	\$	-
Plumbing	1	\$	11,200.00	\$	11,200.00
PV System		\$	-	\$	-
Roofing	1	\$	12,000.00	\$	12,000.00
Siding	1	\$	8,800.00	\$	8,800.00
Skylights		\$	-	\$	-
Steel		\$	-	\$	-
Stormwater Mitigation System	1	\$	2,500.00	\$	2,500.00
SFH Construction Subtotal		\$	252,000.00	\$	252,000.00
ADU					
Carport		\$	-	\$	-
Accessories	1	\$	500.00	\$	500.00
Bathroom Finishes	1	\$	750.00	\$	750.00
Carpentry	1	\$	12,250.00	\$	12,250.00
Doors+Windows	1	\$	2,000.00	\$	2,000.00
Driveway, Curb and Sidewalk	1	\$	1,250.00	\$	1,250.00
Drywall	1	\$	2,750.00	\$	2,750.00
Electric Temp		\$	-	\$	-
Electrical	1	\$	2,000.00	\$	2,000.00
Fencing Temp		\$	-	\$	-
Fencing Perimeter	1	\$	2,000.00	\$	2,000.00
Fire Suppression	1	\$	2,500.00	\$	2,500.00
Flooring Polish		\$	-	\$	-
Foundation	1	\$	6,000.00	\$	6,000.00
Grading	1	\$	500.00	\$	500.00
HVAC	1	\$	2,000.00	\$	2,000.00
Kitchens+Bath	1	\$	2,000.00	\$	2,000.00
Landscape	1	\$	2,000.00	\$	2,000.00
Meter Electric		\$	-	\$	-
Plumbing	1	\$	3,000.00	\$	3,000.00
PV System		\$	-	\$	-
Roofing	1	\$	2,500.00	\$	2,500.00

Siding	1	\$	2,000.00	\$	2,000.00
Skylights		\$	-	\$	-
Steel		\$	-	\$	-
Stormwater Mitigation System	1	\$	1,500.00	\$	1,500.00
ADU Construction Subtotal		\$	47,500.00	\$	47,500.00
CONSTRUCTION TOTAL					
		\$	299,500.00	\$	299,500.00
FEES	QTY		AMT PER		AMOUNT
Land Disposition Closing Costs	1	\$	-	\$	-
Fees-Plan Check/Inspection	1	\$	9,000.00	\$	9,000.00
Fees-Quimby		\$	-	\$	-
Fees-School Dist	1	\$	6,000.00	\$	6,000.00
Insurance-Builders Risk	1	\$	5,000.00	\$	5,000.00
Interest on Const Loan	1		\$8,357.14	\$	8,357.14
Deferred Developer Fee	1		\$18,910.00	\$	18,910.00
TOTAL FEES		\$	47,267.14	\$	47,267.14
TOTAL DEVELOPMENT COSTS					
excluding Const Loan Interest		\$	564,471.00	\$	564,471.00
TOTAL DEVELOPMENT COSTS					
with Const. Loan Interest		\$	572,828.14	\$	572,828.14
Contingency		\$	1,992.00	\$	1,992.00
Construction Contingency		\$	17,287.00	\$	17,287.00
TOTAL DEVELOPMENT COSTS					
WITH CONTNGENCY		\$	592,107.14	\$	592,107.14

DONATIONS					
Appliances - SFH	1	\$	2,000.00	\$	2,000.00
Appliances - ADU	1	\$	2,000.00	\$	2,000.00
Insulation - SFH	1	\$	1,000.00	\$	1,000.00
Insulation - ADU	1	\$	500.00	\$	500.00
Volunteer Labor	1	\$	20,000.00	\$	20,000.00
Total Donations		\$	25,500.00	\$	25,500.00

PROFIT

Sales Revenues	\$ 525,000.00
Commissions+Closing Costs ¹	\$ -
Total Sales Net Revenues	\$ 525,000.00
Total Construction Costs	\$ 365,828.14
Total Profit	\$ 159,171.86

Notes

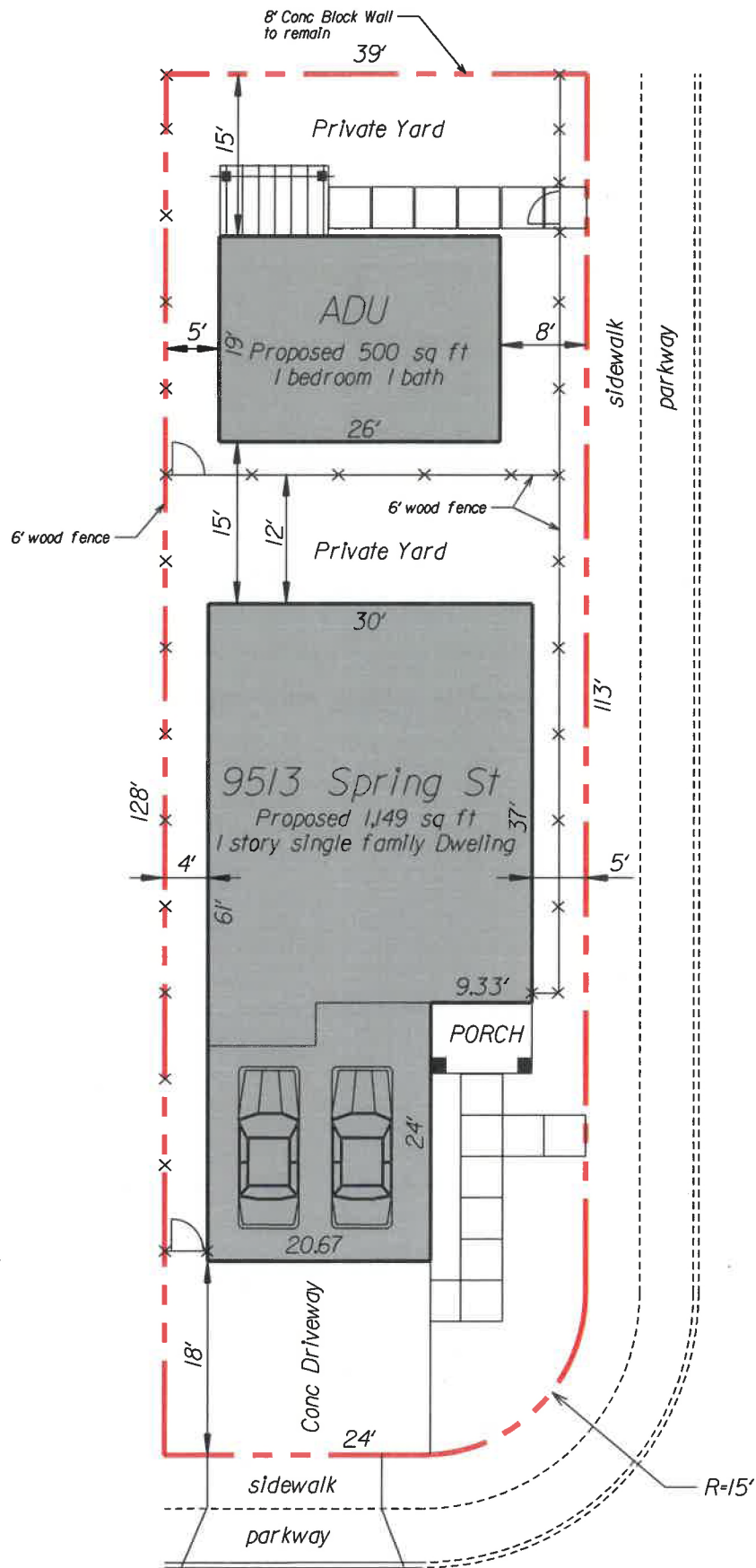
¹Developer will cover
commissions and closing costs.
No estimate given

SPRING STREET

SALE SOURCES AND USES

USES OF FUNDS	AMOUNT
Sale Price	\$ 525,000
Buyer's Estimated Closing Costs	\$ 15,000
Seller Credit (List as Negative)	\$ -
TOTAL COSTS	\$ 540,000

SOURCES OF FUNDS	AMOUNT	LIEN POSITION	TERMS	Notes
Homebuyer Funds (At least 1% of Sales Price)	\$5,250	Cash		
First Mortgage	\$293,500	1st	TBD - 4.5% 30 Yr Fixed	Per Family Selected
City of LA Acquisition Loan	\$159,000	2nd	City Terms	City Terms
Other funding Source (Specify): HFH	\$67,250	3rd	0% - Due upon Resale/Refi	
Other funding Source (Specify): WISH	\$15,000	4th	0% - Forgivable after 5 yrs	WISH funds to be used toward closing costs
Other funding Source (Specify):				
TOTAL FUNDS	\$540,000			
Shortfall/(Surplus)	\$0			



1" = 10'

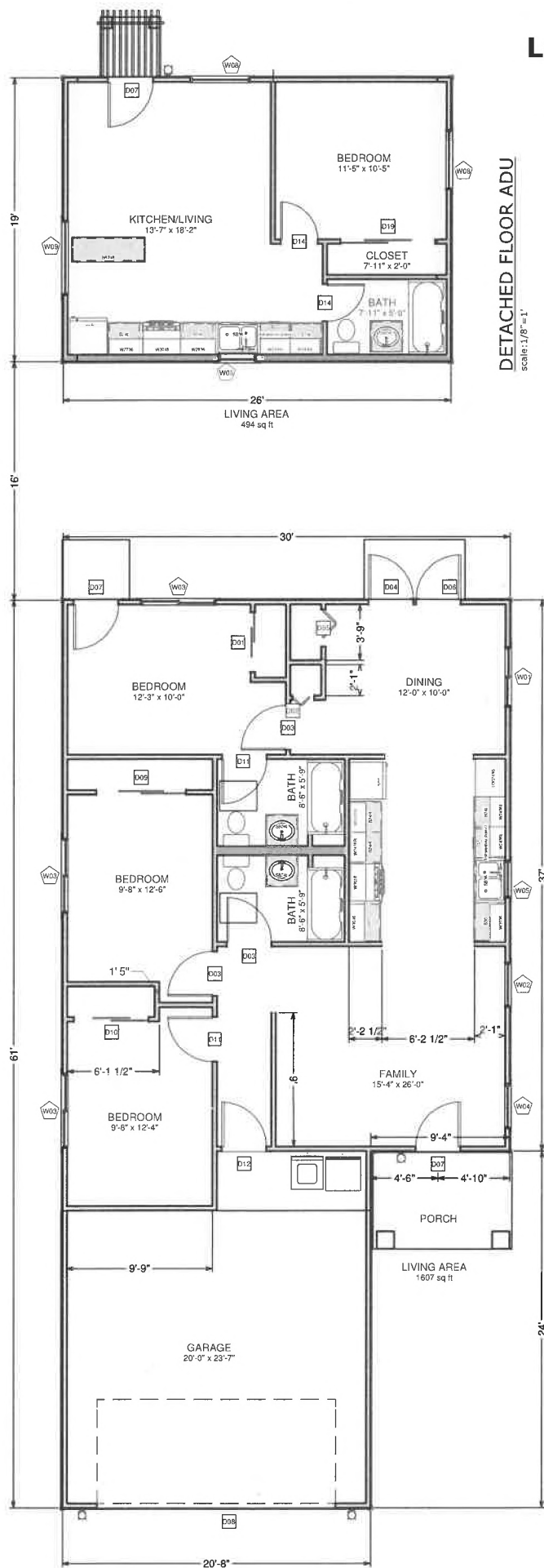
Spring St

Colden

9513 SPRING STREET – SITE PLAN

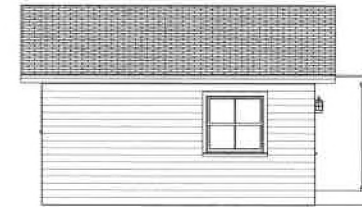
1,149 sq ft
3 bed / 2 Bath
Total sq ft including garage:
1,607 sq ft
DETACHED ADU: 494 sq ft

DETACHED FLOOR ADU
scale: 1/8" = 1'



FRONT HOUSE
scale: 1/8" = 1'





EAST FACE - DELTA HOUSE & DETACHED ADU



WEST FACE - DELTA HOUSE & DETACHED ADU

ELEVATIONS

Revisions:

No	Description	Date

Design/Build by:

8739 Artesia Blvd
Bellflower, CA 90706
Phone: (310) 821-7631
www.habitatla.org

Robert Dwyer, PE
rdwyer@habitatla.org

12/21/16

Job:

**Habitat for Humanity
Affordable Housing
9513 SPRING STREET
Los Angeles, CA 90003**

Consultants:

Survey/Mapping:
Anacal Engineering
Contact: Glen Gwatney
1900 E La Palma Ave, Suite 202
Anaheim, CA 92805
(714) 774-1763

Structural:
Tibba Engineering
Contact: Mark Ibrahim
3436 E Longridge Dr
Orange, CA 92667
(714) 553-2595

Soils:
Norcal Engineering
Contact: Scott Spensiero
10641 Humbolt Street
Los Alamitos, CA 90720
(562) 799-9469

Landscaping:
Northeast Trees
Contact: Theresa Rosoff
570 W Avenue 26 - No. 200
Los Angeles, CA 90065
(323) 441-8634

Date:

JUNE 20, 2017

Scale:

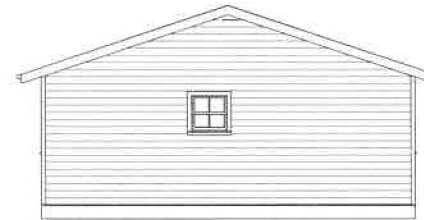
1/4" = 1'

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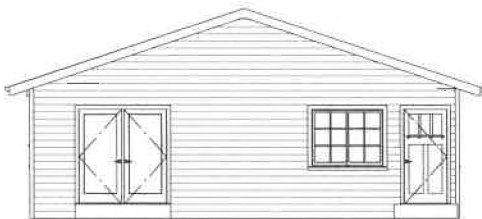
ELEVATIONS

Sheet No.:

A-05



SOUTH FACE - DELTA HOUSE & DETACHED ADU



NORTH FACE - DELTA HOUSE & DETACHED ADU

ELEVATIONS

Revisions:

No	Description	Date

Design/Build by:

8739 Artesia Blvd
Bellflower, CA 90706
Phone: (310) 821-7631
www.habitata.org

Robert Dwelle, PE
rdwelle@habitata.org

12/31/16

Job:

**Habitat for Humanity
Affordable Housing
9513 SPRING STREET
Los Angeles, CA 90003**

Consultants:

Survey/Mapping:
Anacal Engineering
Contact: Glen Gwatney
1900 E La Palma Ave, Suite 202
Anaheim, CA 92805
(714) 774-1763

Structural:
Tibbs Engineering
Contact: Mark Ibrahim
3436 E Longridge Dr
Orange, CA 92867
(714) 553-2595

Soils:
Norcal Engineering
Contact: Scott Spensiero
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Los Alamitos, CA 90720
(562) 799-9469

Landscaping:
Northeast Trees
Contact: Theresa Rossolf
570 W Avenue 26 - No. 200
Los Angeles, CA 90065
(323) 441-8634

Date:

JUNE 20, 2017

Scale:

1/4" = 1'

Sheet Title:

ELEVATIONS

Sheet No.:

A-06