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Council File: **NEW**
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
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Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY FOR VARIOUS ACTIONS RELATED TO THE DISPOSITION AND DEVELOPMENT OF 27 HOUSING ASSETS

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) requests approval of the recommendations contained in this report related to the disposition and development of housing assets currently owned by HCIDLA to maximize public land for affordable housing. The housing assets consist of: properties transferred to HCIDLA from the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA); and, properties acquired by HCIDLA or foreclosed upon by HCIDLA, referred to as Real Estate Owned, or REO.

HCIDLA proposes a disposition and development plan for 27 housing assets. To effectuate the proposed plan, HCIDLA requests for authority to: release a Request for Qualifications (RFQ) for 15 housing assets to select qualified developers to create affordable housing; enter into Memoranda of Understanding (MOU) with the Economic and Workforce Development Department (EWDD) for three housing assets for the provision of economic development opportunities; release a Request for Proposals (RFP) for seven housing assets to select a qualified affordable housing owner/operator; and, sell two vacant single family properties located at 1808 S. St. Andrews Place and 1816 N. Wilton Place and subsequent actions related to the sale of the City-owned sites. HCIDLA also requests for authority to enter into contracts and expend funds for technical services in the planning, entitlement, financing and development of the 27 housing assets. Funds are proposed to be allocated from the Low and Moderate Income Housing Fund 55J in an amount not to exceed \$540,000.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate Council committee(s) and forward it to the City Council for review and approval immediately thereafter;
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Authorize the HCIDLA General Manager, or designee, to release a RFQ to select qualified developers for the disposition and development of housing assets owned by HCIDLA, described in Attachment A, to create affordable housing;
 - B. Authorize the HCIDLA General Manager and the General Manager of the EWDD, or their designees, to execute one or more MOU for economic development opportunities related to housing assets owned by HCIDLA, described in Attachment A;
 - C. Authorize the HCIDLA General Manager, or designee, to sell two vacant single family properties, described in Attachment A, located at 1808 S. St. Andrews Place and 1816 N. Wilton Place through the following: 1) work with the City Attorney to release the existing former CRA/LA covenants; 2) market the properties through a City-contracted Real Estate Broker; 3) enter into a Purchase and Sale Agreement for each site; 4) request and collaborate with the City Attorney to prepare an ordinance for the sale of these properties; and, 5) return the sales proceeds to the Low and Moderate Income Housing Fund 55J;
 - D. Authorize the HCIDLA General Manager, or designee, to release a RFP to select qualified mission-driven affordable housing providers to own and manage housing assets referred to as Occupied Residential Properties owned by HCIDLA, described in Attachment A;
 - E. Instruct the HCIDLA General Manager, or designee, to report back with recommendations regarding the selection of qualified candidates from the Housing Assets RFQ in Recommendation A and the Occupied Residential Properties RFP in Recommendation D;
 - F. Authorize the HCIDLA General Manager, or designee, to negotiate and execute contracts for technical services to plan, entitle, finance, and develop the housing assets, where the sum of all contracts is not to exceed \$540,000 in program income from the Low and Moderate Income Housing Fund 55J, subject to review and approval by the City Attorney as to form and compliance with all necessary City, State, and federal requirements;
 - G. Authorize the Controller to establish a new account within Low and Moderate Income Housing Fund 55J, entitled 43L844 Technical Services, and appropriate \$540,000 for contract expenditures related to Recommendation F; and
 - H. Authorize the HCIDLA General Manager, or designee, to prepare Controller instructions for any 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 these instructions.

BACKGROUND

As the availability of public funding for affordable housing is currently in a decline, HCIDLA proposes to utilize City-owned land assets as potential sites for affordable housing developments. HCIDLA requests for authority to release 27 housing assets to maximize public land for the development of new and preservation of existing affordable housing units in the City. The 27 housing assets consist of 18 sites formerly owned by CRA/LA, eight REO properties, and one HCIDLA acquired site. HCIDLA is currently managing all 27 properties. In the best interest of the City, HCIDLA proposes to make 25 sites available to qualified affordable housing developers through an open competitive process and list two sites for sale in the open market.

Housing Asset Analysis

In December 2012, the Mayor and Council authorized the Housing Asset Transfer Agreement authorizing HCIDLA to accept the housing assets of the former CRA/LA (C.F. 12-0049). Subsequent to the transfer of the CRA/LA housing assets, HCIDLA staff performed an in-depth analysis of various sites to build a strategy for disposition and development. The analysis consisted of: a review of prior Council or CRA/LA Board actions relating to the sites; a review of zoning, land use and environmental issues; and, a review of affordable housing covenants, existing debt or other financial obligations. HCIDLA staff has made an effort to understand the redevelopment intent of the housing assets previously acquired by the former CRA/LA, and to evaluate the potential to carry out redevelopment in an affordable housing financing context. HCIDLA proposes a disposition plan outlined in this report for the 27 housing assets. A summary of the 27 housing assets is provided in Attachment A of this report.

Disposition Categories

The proposed disposition plan for the 27 housing assets is divided into four strategic categories as follows:

Category 1 – Select qualified developers through a RFQ

HCIDLA requests authority for the issuance of a RFQ for 15 vacant properties, consisting of one property owned by HCIDLA and 14 former CRA/LA housing assets, to select qualified affordable housing developers. HCIDLA recommends releasing these housing assets as expeditiously as possible to benefit from the market knowledge and development expertise of the affordable housing developers who respond to the RFQ. HCIDLA anticipates the proposed RFQ selection criteria will promote development partnerships that have the ability to engage community stakeholders, design excellent housing, and develop financing plans that leverage outside resources effectively. RFQ selection criteria will have emphasis on a highly qualified development team, rather than a project. HCIDLA will be asking each developer to submit a brief “Concept Plan” for each housing asset they are interested in developing as part of the RFQ responses. The goal of the open and competitive RFQ process will allow for HCIDLA to match qualified housing developers to the 15 housing assets.

The 15 sites are anticipated to be developed into 13 affordable housing projects and two group homes for special needs populations due to existing CRA/LA covenants. HCIDLA does not recommend making any funding commitments to these 15 sites at this time. HCIDLA will provide a subsequent report back on the developers selected through the RFQ process, including a request for authority to enter into Exclusive Negotiation Agreements (ENA) with the qualified developers. All developers approved by the Mayor and Council will be required to submit a detailed preliminary plan for each

housing asset site to HCIDLA. HCIDLA will review all preliminary plans for project feasibility. HCIDLA will enter into the proposed ENAs to ensure that project implementation milestones and financing schedules are established with the qualified developers.

A list of the 15 sites in Disposition Category 1 is provided in the table below.

**Properties in Disposition Category 1
 Selection of Qualified Developers through a RFQ**

Address	Council District	Housing Asset	Proposed Project
1035 & 1039 S. Berendo Street	1	Former CRA/LA	Affordable Housing
1047 & 1053 S. Mariposa Avenue	1	Former CRA/LA	Affordable Housing
5623-5633 Elmer Avenue	2	Former CRA/LA	Affordable Housing
12568 N. San Fernando Road	7	HCIDLA acquired	Affordable Housing
13574 W. Foothill Boulevard	7	Former CRA/LA	Affordable Housing
1636 W. Manchester Avenue	8	Former CRA/LA	Affordable Housing
206 E. Washington Boulevard	9	Former CRA/LA	Affordable Housing
5215 & 5260 S. Figueroa Street	9	Former CRA/LA	Affordable Housing
5888-5910 & 5887-5879 Crocker Street	9	Former CRA/LA	Affordable Housing
6901-6915 S. Main Street	9	Former CRA/LA	Affordable Housing
2375 W. Washington Boulevard	10	Former CRA/LA	Affordable Housing
4314 W. Adams Boulevard	10	Former CRA/LA	Affordable Housing
557 Crocker Avenue	14	Former CRA/LA	Affordable Housing
8431 Geyser Avenue	12	Former CRA/LA	Special Needs
3551 E. 4th Street	14	Former CRA/LA	Special Needs

There are two vacant properties with existing CRA/LA loans and covenants that require the properties to be used as group homes for special needs populations: 1) a single family property at 8431 Geyser Avenue in Council District 12; and, 2) a duplex at 3551 E. 4th Street in Council District 14. HCIDLA recommends carrying out these projects in a manner consistent with the existing loan agreements and covenants through the inclusion of these properties in the RFQ.

Timeline for Housing Asset RFQ

The California Department of Finance (DOF) approved the transfer of the former CRA/LA housing assets on March 27, 2013 to HCIDLA as the housing successor. California redevelopment law states that the housing successor must initiate development activities within five years after DOF confirms the transfer of the housing asset. Therefore, HCIDLA plans to execute ENAs with selected developers by December 2017 to meet the DOF requirements. A proposed timeline to meet the DOF five-year deadline is provided in the table below.

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Timeline to Meet DOF Deadline

Date	Milestone
August 2015	Obtain Mayor and Council authority to release the Housing Asset RFQ
	Obtain Mayor and Council authority to enter into technical services contracts (not to exceed \$540,000)
September 2015	Draft the Housing Asset RFQ
October 2015	Release the Housing Asset RFQ
November 2015	Review developer applications
December 2015	Award sites to selected developers
January 2016 – July 2016	Obtain Mayor and Council authority to award sites and enter into ENAs with selected developers
	Review preliminary development plans for each site
July 2016 – March 2017	Execute ENAs establishing development timelines and milestones
March 27, 2018	DOF deadline to initiate development activities for housing assets

Category 2 – Execute MOU with EWDD

HCIDLA recommends entering into a MOU with EWDD for economic development opportunities at three sites. Two of the three sites consist of vacant lots at the following locations: 1) 11681 W. Foothill Boulevard in Council District 7, which was acquired through foreclosure; and, 2) 601 W. 40th Place in Council District 9 which is a former CRA/LA housing asset. Both sites were determined to be more appropriate for economic development based on analysis of the housing assets. The third site is a former CRA/LA housing asset located at 619-629 S. Westlake Avenue in Council District 1. The property is adjacent to the historic Westlake Theater. HCIDLA proposes to enter into a separate MOU with EWDD to develop the site in conjunction with the rehabilitation of the Westlake Theater, a mixed-use project with historic renovation, to maximize financial efficiency. The proposed MOUs with EWDD will allow for HCIDLA to plan for the disposition of the sites for economic development activities. HCIDLA or EWDD will provide a report back on the final disposition of the sites.

Category 3 – Sell vacant properties at Fair Market Value (FMV)

HCIDLA recommends selling two former CRA/LA vacant single family properties at FMV through a City-contracted Real Estate Broker. The properties are located at 1808 S. St. Andrews Place in Council District 10 and 1816 N. Wilton Place located in Council District 13. Both properties were originally utilized as group homes, and were acquired by CRA/LA when the operator declared bankruptcy. Based on analysis of the housing assets, HCIDLA has determined there is no feasible financing approach that would enable low and moderate income homebuyers to purchase these homes without an extraordinarily large subsidy. Although the properties have no existing debt, they are in poor condition and will require extensive and costly rehabilitation. Selling these assets at FMV and restoring the funds to the Low and Moderate Income Housing Fund would result in a greater affordable housing opportunities than rehabilitating these single family homes for purchase. Both properties have existing CRA/LA covenants; the covenant for 1808 S. St. Andrews Place will expire in 2019 and 1816 N. Wilton Place will expire in 2018. HCIDLA proposes to work with the City Attorney to remove the existing covenants prior to listing the properties for sale. HCIDLA will provide a subsequent report back, including a request for authority to execute purchase and sales agreements with the selected buyers for these two properties.

Category 4 – Select mission driven organization through a RFP

HCIDLA requests for the issuance of a RFP for the transfer of seven properties to one or more mission-driven affordable housing providers. These properties consist of six occupied multifamily properties and one occupied single family property that were foreclosed upon by HCIDLA. The majority of the properties are in need of rehabilitation. HCIDLA recommends transferring these housing assets with the intention of providing rehabilitation financing through a scattered site bond issuance to one or more developers. Responses to the RFP may also include proposals to provide private financing; however the proposals must demonstrate capacity to rehabilitate and manage the portfolio without displacing or creating minimal disruption to the current tenants. HCIDLA will provide a subsequent report back on the mission driven organization(s) selected through the RFP process, including a request for authority to enter into agreements with the qualified organization(s) to purchase this portion of the HCIDLA portfolio. A list of the seven sites in Disposition Category 4 is provided in the table below.

**Properties in Disposition Category 4
 Selection of Mission Driven Organization through a RFP**

Address	Council District	Housing Asset	Proposed Project
6309-6223 S. 10 th Avenue	8	REO	Rehab of Affordable Housing
6577 S. Arlington Avenue	8	REO	Rehab of Affordable Housing
6503 S. Victoria Avenue	8	REO	Rehab of Affordable Housing
2117-2133 W. 54 th Street	8	REO	Rehab of Affordable Housing
1211 E. 43 rd Street	9	REO	Rehab of Affordable Housing
3507-3513 Stocker Street	10	REO	Rehab of Affordable Housing
819 W. 4 th Street	15	REO	Rehab of Affordable Housing

Housing Development Team

HCIDLA proposes to form an interdisciplinary development team to implement the recommendations in this report. The development team will be comprised of HCIDLA staff and technical service contractors, and will work closely with the developers selected through the RFQ or RFP to plan, entitle, finance and develop the housing assets. HCIDLA also requests for the allocation of up to \$540,000 in program income from the Low and Moderate Income Housing Fund 55J to be budgeted for technical services to assist HCIDLA in the drafting of the Housing Asset RFQ and other activities related to the development of the HCIDLA housing assets.

In October 2014, the Mayor and Council authorized the establishment of a pre-qualified list of consultants related to the citywide strategic planning effort for asset management and economic development (C.F. 12-1549-S2). The pre-qualified list of consultants was selected through a RFQ process administered by the Office of the City Administrative Officer (CAO). HCIDLA participated in the selection committee for the RFQ. The consultants were selected to provide technical services in the following service areas: Real Estate Services and Brokerage; Project Feasibility and Underwriting; Community Outreach and Engagement; and, Master Planning and Site Planning. A summary of the service areas and the types of technical services to be delivered by the pre-qualified list of consultants is provided in Attachment B.

HCIDLA plans to enter into agreements with consultants from this pre-qualified list. HCIDLA will utilize a Request for Bid (RFB) process established by the CAO and HCIDLA to request proposal bids, select and engage consultants to implement the recommendations in this report. For each RFB, HCIDLA

will prepare a procurement request with scope of work and bid requirements and solicit proposals from the consultants on the pre-qualified list established in C.F. 12-1549-S2. When the submissions are received, consultants that are most responsive and cost effective will be selected to enter into a contract.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to receive sales proceeds into the Low and Moderate Income Housing Fund from the sale of two housing assets owned by the City transferred from the former CRA/LA; and, allocate an amount not to exceed \$540,000 in program income from the Low and Moderate Income Housing Fund for technical services related to the development of housing assets. The recommendations in this report will also authorize HCIDLA to release the Housing Assets RFQ and the Occupied Residential Properties RFP, and enter into a MOU with EWDD to utilize City-owned land assets as potential sites for affordable housing and economic development.

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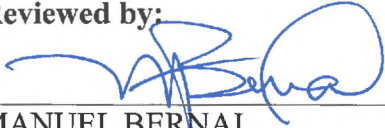
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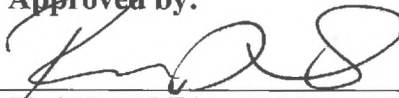
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Attachment A: Properties by Disposition Categories

Attachment B: Technical Service Areas for Consultants

HCIDLA Properties by Disposition Category

#	Housing Asset Type (CRA, HCIDLA Acquired, REO)	Property Address	City	Zip Code	Council District	Parcel Size (sq. ft.)	Property Description	# of Units	Disposition Recommendation
Disposition Category 1: Select Qualified Developers through RFQ (15 properties)									
<i>Affordable Housing Development (13 properties)</i>									
1	CRA	1035 & 1039 S. Berendo St.	Los Angeles	90006	1	11,802	Vacant Lot	n/a	Select Developer through RFQ
2	CRA	1047 & 1053 S. Mariposa Ave	Los Angeles	90006	1	11,799	Vacant Lot	n/a	Select Developer through RFQ
3	CRA	5623-5633 Elmer Ave.	North Hollywood	91601	2	21,749	Vacant Lot	n/a	Select Developer through RFQ
4	HCIDLA Acquired	12568 N. San Fernando Road	Sylmar	91342	7	12,065	Vacant Lot	n/a	Select Developer through RFQ
5	CRA	13574 W. Foothill Blvd.	Sylmar	91342	7	53,489	Vacant Lot	n/a	Select Developer through RFQ
6	CRA	1636 W. Manchester Avenue	Los Angeles	90047	8	19,502	Vacant Lot	n/a	Select Developer through RFQ
7	CRA	206 E. Washington Blvd	Los Angeles	90011; 90015	9	49,521	Vacant Lot/Bldg	n/a	Select Developer through RFQ
8	CRA	5215 S Figueroa & 5260 S Figueroa Street	Los Angeles	90037	9	46,322	Vacant Lot	n/a	Select Developer through RFQ
9	CRA	5888 - 5910 Crocker Street & 5887 - 5879 Crocker Street	Los Angeles	90003	9	36,377	Vacant Lot	n/a	Select Developer through RFQ
10	CRA	6901, 6905, 6909, 6915 S. Main Street	Los Angeles	90003	9	19,254	Vacant Lot	n/a	Select Developer through RFQ
11	CRA	2375 W. Washington Blvd	Los Angeles	90018 90019	10	40,964	Vacant Lot	n/a	Select Developer through RFQ
12	CRA	4314 W. Adams Blvd	Los Angeles	90018	10	15,209	Vacant Lot	n/a	Select Developer through RFQ
13	CRA	557 Crocker Avenue	Los Angeles	90013	14	5,645	In Use-parking lot	n/a	Select Developer through RFQ
<i>Group Home Development (2 properties)</i>									
14	CRA	8431 Geyser Avenue	Northridge	91324	12	10,620	Vacant SF Home	1	Select Developer through RFQ for use as a group home
15	CRA	3551 E. 4th Street	Los Angeles	90063	14	6,006	Vacant Duplex	2	Select Developer through RFQ for use as a group home

HCIDLA Properties by Disposition Category

#	Housing Asset Type (CRA, HCIDLA Acquired, REO)	Property Address	City	Zip Code	Council District	Parcel Size (sq. ft.)	Property Description	# of Units	Disposition Recommendation
Disposition Category 2: Execute MOU with EWDD (3 properties)									
16	REO	11681 W. Foothill Blvd.	Sylmar	91342	7	126,902	Vacant Lot	n/a	Execute MOU with EWDD
17	CRA	601 W. 40th Place	Los Angeles	90037	9	7,838	Vacant Lot	n/a	Execute MOU with EWDD
18	CRA	619, 623, 627, 629 S. Westlake Ave	Los Angeles	90057	1	32,198	Vacant Bldgs, Lots	n/a	Execute MOU with EWDD
Disposition Category 3: Sell Vacant Properties at Fair Market Value (2 Properties)									
19	CRA	1808 S. St. Andrews Place	Los Angeles	90019	10	8,913	Vacant SF Home	1	Sell at Fair Market Value; Restore sales proceeds to Low Moderate Income Housing Fund
20	CRA	1816 N. Wilton Place	Los Angeles	90068	13	7,349	Vacant SF Home	1	Sell at Fair Market Value; Restore sales proceeds to Low Moderate Income Housing Fund
Disposition Category 4: RFQ Occupied Properties to Mission Driven Organization (7 properties)									
21	REO	6309-6223 S. 10th Avenue	Los Angeles	90043	8	26,146	Occupied Multi-family Apartments	29	Sell to Mission Driven Organization via RFP
22	REO	6577 S. Arlington Avenue	Los Angeles	90043	8	4,802	Occupied SF Home	1	Sell to Mission Driven Organization via RFP
23	REO	6503 S. Victoria Avenue	Los Angeles	90043	8	11,355	Occupied Multi-family Apartments	10	Sell to Mission Driven Organization via RFP
24	REO	2117-2133 W. 54th Street	Los Angeles	90062	8	20,106	Occupied Multi-family Apartments	22	Sell to Mission Driven Organization via RFP
25	REO	1211 E. 43rd Street	Los Angeles	90011	9	6,035	Occupied Multi-family Apartments	5	Sell to Mission Driven Organization via RFP
26	REO	3507-3513 Stocker Street	Los Angeles	90008	10	10,628	Occupied Multi-family Apartments	12	Sell to Mission Driven Organization via RFP
27	REO	819 W. 4th Street	San Pedro	90731	15	5,906	Occupied Multi-family Apartments	10	Sell to Mission Driven Organization via RFP

Technical Service Areas for Consultants

Service Area	Types of Services
Real Estate Service and Brokerage	Preparation of Real Property Appraisals and Broker Opinions of Value
	Brokerage and marketing for City-controlled properties (including leases)
	Title Report Search
	Advise on marketing strategies to solicit tenants and lease structuring for City-owned properties
	Space planning and demising recommendations for City properties
	Provide financial advice regarding structuring of City leases
	Preparation of Requests for Proposal, Request for Qualifications, or other solicitations for development proposals
	Other related services as may be identified
Project Feasibility and Underwriting	Pro forma analysis and underwriting for real estate development including multi-family, affordable housing and mixed use
	Public/private deal structuring, including alternative financing options, and assessment of equity participation
	Analysis for public/private partnerships, potentially to include developments on ground-leased City property, lease-leaseback transactions, and alternative ownership positions
	Cash flow projections and analysis, including preparation of discounted cash flow analysis for development projects
	Financial feasibility analysis
	Land and project valuations
	Fiscal impact analysis
	Residual land value analysis
	Fair reuse value analysis
	Evaluation of proposed TFAR transactions and associated community benefits
	Ground lease structuring
	Assistance in developer negotiations
	Other related services as may be identified
Community Outreach and Engagement	Organize and conduct community outreach meetings
	Prepare and distribute outreach materials
	Prepare and administer outreach and/or survey instruments
	Other related services as may be identified
Master Planning and Site Planning	Master planning for City-owned properties
	Site planning and development feasibility
	Structural analysis of existing City buildings, with respect to capacity for re-use or rehabilitation
	Parking analysis regarding demand, supply, and strategies for optimization
	Evaluation of environmental and hazardous materials in existing buildings, and preliminary budgeting for remediation
Other related services as may be identified	