

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

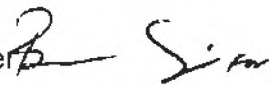
Date: August 19, 2015

CAO File No. 0220-00540-1139

Council File No.

Council District: Citywide

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Housing and Community Investment Department Transmittal dated June 8, 2015;
Received by the City Administrative Officer on June 17, 2015

Subject: **REQUEST FOR APPROVAL OF VARIOUS ACTIONS RELATED TO THE
DISPOSITION AND DEVELOPMENT OF 27 HOUSING ASSETS**

SUMMARY

In a transmittal dated June 8, 2015, the Housing and Community Investment Department (HCID) requests approval of various actions related to the disposition and development of 27 HCID-owned housing assets to maximize public land for the development of new and preservation of existing affordable housing units in the City. The HCID requests approval to: 1) make 22 of the assets available to qualified affordable housing developers and operators to create and operate affordable housing; 2) enter into Memoranda of Understanding (MOU) with the Economic and Workforce Development Department (EWDD) for three assets to be available for the provision of economic development opportunities; and 3) list the remaining two assets for sale on the open market. The HCID also requests authority to enter into technical service contracts and expend funds for the planning, entitlement, financing and development of the 27 housing assets. The proposed contracts will be paid by the Low and Moderate Income Housing Fund No. 55J in an amount not to exceed \$540,000. This Office concurs with the Department's request for approval of various action related to the disposition and development of 27 housing assets for the development and preservation of affordable housing units in the City.

BACKGROUND

The HCID proposes to utilize HCID-owned housing assets as potential sites for affordable housing developments. The housing assets consist of properties transferred to HCID from the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and properties acquired or foreclosed upon by HCID, referred to as Real Estate Owned (REO). The HCID proposes a disposition and development plan for 27 housing assets for the development of new and preservation of existing affordable housing units in the City. To execute the proposed plan, the Department requests authority to: 1) release a Request for Qualifications (RFQ) for 15 housing assets to select qualified developers to create affordable housing; 2) enter into an MOU with EWDD for three housing assets for the provision of economic development opportunities; 3)

release a Release for Proposals (RFP) to select a qualified affordable housing owner/operator for seven housing assets; 4) sell two vacant single-family properties located at 1808 South St. Andrews Place and 1816 North Wilton Place and take subsequent actions related to the sale of the two sites; and 5) enter into contracts and expend funds for technical services in the planning, entitlement, financing and development of the 27 housing assets.

Housing Asset Analysis and Disposition Categories

In December 2012, the Mayor and Council approved the Housing Asset Transfer Agreement authorizing HCID to accept the housing assets belonging to the former CRA/LA (C.F. 12-0049). Following the transfer of the CRA/LA housing assets, HCID 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. The HCID proposes a disposition plan outlined in this report for the 27 CRA/LA housing assets. A summary of the 27 housing assets divided among four disposition categories is provided in Attachment A of the HCID transmittal dated June 8, 2015. The disposition categories are as follows:

Category 1 – Select qualified developers through an RFQ

The HCID requests authority to issue an RFQ to select qualified affordable housing developers for 15 vacant properties; one property is owned by HCID and 14 by the former CRA/LA housing assets. The HCID expects 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. The HCID 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 HCID’s goal of the open and competitive RFQ process will be to match qualified housing developers to the 15 housing assets in this category.

The 15 sites are anticipated to be developed into 13 affordable housing projects and two group homes for special needs populations. The HCID 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 for HCID to review. The HCID will enter into the proposed ENAs to ensure that project implementation milestones and financing schedules are established with the qualified developers.

The two sites being developed into group homes are vacant properties with pre-existing CRA/LA loans and covenants that require the properties be used as group homes for special needs populations. The properties are: 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. The HCID 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

On March 27, 2013, the California Department of Finance (DOF) approved the transfer of the former CRA/LA housing assets to HCID as the housing successor. California redevelopment law states that the housing successor must initiate development activities within five years after the DOF confirms the transfer of the housing asset. Therefore, HCID 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.

Timeline to Meet DOF Deadline

Date	Milestone
Aug. 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)
Sept. 2015 – Oct. 2015	Draft the Housing Asset RFQ
	Release the Housing Asset RFQ
Nov. 2015	Review developers applications
Dec. 2015	Award sites to selected developers
Jan. 2016 – July 2016	Obtain Mayor and Council authority to enter into ENAs with selected developers
	Review preliminary development plans for each site
Dec. 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

The HCID recommends entering into an MOU with EWDD for economic development opportunities at three sites. Two of the three sites are vacant lots at: 1) 11681 W. Foothill Boulevard in Council District 7 and 2) 601 W. 40th Place in Council District 9. Both sites were determined to be more appropriate for economic development based on analysis of the housing assets. The third site is located at 619-629 S. Westlake Avenue in Council District 1. The HCID proposes to enter into a separate MOU with EWDD to develop the site in conjunction with the rehabilitation of the nearby Westlake Theater, a mixed-use project with historic renovation, to maximize financial efficiency. The proposed MOU with EWDD will allow for HCID to plan for the disposition of the sites for economic development activities. Either HCID or EWDD will provide a report back on the final disposition of the sites.

Category 3 – Sell vacant properties at Fair Market Value

The HCID recommends selling two vacant former CRA/LA single-family properties at Fair Market Value (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, HCID 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. Selling these assets at FMV and restoring the funds to the Low and Moderate Income Housing Fund No. 55J would result in greater affordable housing opportunities than rehabilitating these properties for purchase. Both properties have pre-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. The HCID proposes to work with the City Attorney to remove the existing covenants prior to listing the properties for sale. The HCID 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(s) through an RFP

The HCID requests for the issuance of an RFP for the transfer of seven properties to one or more mission-driven affordable housing providers. These properties, referred to as Occupied Residential Properties, consist of six occupied multi-family properties and one occupied single-family property. The HCID 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. The HCID 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 HCID portfolio. A list of the seven sites in Disposition Category 4 is provided in the table below.

Housing Development Team

The HCID proposes to form an interdisciplinary development team to implement the recommendations in this report. The development team will be comprised of HCID staff and technical service contractors, who will work closely with the developers selected through the RFQ or RFP to plan, entitle, finance and develop the housing assets. The HCID also requests for the allocation of up to \$540,000 in program income from the Low and Moderate Income Housing Fund No. 55J to be budgeted for technical services to assist HCID in the drafting of the Housing Asset RFQ and other activities related to the development of the HCID 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). The HCID 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 attached as Attachment B to the HCID transmittal dated June 8, 2015.

The HCID plans to enter into agreements with consultants from this pre-qualified list. The HCID will utilize a Request for Bid (RFB) process established by the CAO and HCID to request proposal bids, select and engage consultants to implement the recommendations in this report. For each RFB, HCID will prepare a procurement request with scope with 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 who are most responsive and provide the most value to the City will be selected to enter into a contract. The Office concurs with HCID's request to approve recommendations related to the disposition and development of 27 housing assets currently owned by HCID to maximize public land for affordable housing.

RECOMMENDATIONS

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

- I. Authorize the General Manager of the Housing and Community Investment Department (HCID), or designee to:
 - A. Release a Request for Qualifications (RFQ) to select qualified developers for the disposition and development of 15 housing assets owned by HCID and listed in Attachment A of their June 8, 2015 transmittal to create affordable housing;
 - B. Sell two vacant single-family properties located at 1808 S. St. Andrews Place and 1816 N. Wilton Place through the following actions: 1) work with the City Attorney to release the existing former Community Redevelopment Agency of the City of Los Angeles (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 No. 55J;
 - C. Release a Request for Proposals (RFP) to select qualified affordable housing providers to own and manage seven housing assets referred to as Occupied Residential Properties owned by HCID and listed in Attachment A of their June 8, 2015 transmittal;
 - D. Report back to Council with recommendations regarding the selection of qualified candidates from the Housing Assets RFQ and the Occupied Residential Properties RFP;
 - E. Negotiate and execute contracts for technical services to plan, entitle, finance and develop the housing assets, where the sum of all contract compensation is not to exceed \$540,000 from the Low and Moderate Income Housing Fund No. 55J, subject to the review and approval of the City Attorney as to form and compliance with the City's contracting requirements;

- II. Authorize the General Manager of HCID and the General Manager of the Economic Workforce Development Department (EWDD), or their designees, to execute one or more Memoranda of Understanding (MOU) for economic development opportunities related to three housing assets owned by HCID, described in Attachment A of the HCID transmittal dated June 8, 2015, subject to the review and approval of the City Attorney as to form; and,
- III. Authorize the Controller to establish a new account within Low and Moderate Income Housing Fund No. 55J, entitled 43L844 Technical Services, and appropriate \$540,000 for contract expenditures related to Recommendation I.E.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund. The recommendations in this report will authorize HCID to receive proceeds from the sale of two housing assets owned by the City and place the funds into the Low and Moderate Income Housing Fund No. 55J. The recommendations will also allocate an amount not to exceed \$540,000 into program income from the Low and Moderate Income Housing Fund No. 55J for technical services related to the development of housing assets. The recommendations in this report are in compliance with the City's Financial Policies in that the proposed actions will be funded by special funds from the Housing and Community Investment Department's Low and Moderate Income Housing Fund 55J.