

**TRANSMITTAL**

To:  
**THE COUNCIL**

Date: **SEP 15 2015**

From:  
**THE MAYOR**

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

A handwritten signature in black ink, appearing to read 'Eric Garcetti', is written over the printed name and title.

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

Housing Development Bureau  
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September 2, 2015

Council File: 12-0049-S3, 09-2665-S5  
Council District: 9  
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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

**COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO MITIGATE SAFETY AND ENVIRONMENTAL CONCERNS AT THE SLAUSON AND WALL PROJECT INCLUDING REQUESTS TO EXECUTE AMENDMENTS TO A PREDEVELOPMENT LOAN AGREEMENT AND AN EXCLUSIVE NEGOTIATION AGREEMENT, AND EXECUTE A PERMIT TO ENTER THE SITE**

**SUMMARY**

The Los Angeles Housing + Community Investment Department (HCIDLA) requests approval of the recommendations contained in this report related to the mitigation of the unsafe and unhealthy site conditions at a housing asset formerly owned by the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) located at 5867 South Los Angeles Street in Council District Nine (Property), referred to as the Slauson and Wall Green Space and Affordable Housing Project. HCIDLA requests authority for various actions to implement the mitigation of health and safety concerns at the Property, consisting of: amending the existing Predevelopment Loan Agreement (Loan) for the Project; extending the term of the existing Exclusive Negotiation Agreement (ENA); and, issuing a Permit to Enter to allow for the Developer/Borrower to access the site. Mitigation of health and safety concerns at the Property will allow for the continuance of the development of the site into public park space and affordable housing.

**RECOMMENDATIONS**

The General Manager of HCIDLA respectfully requests the following:

- I. That your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate Committee(s) of the City Council and forward it to the City Council for review and approval immediately thereafter;

II. That the City Council, subject to the approval of the Mayor, take the following actions:

- A. Declare that the vacant seven-acre Property is a public nuisance, unhealthful and unsafe, and instruct the HCIDLA General Manager, or designee, to take all necessary actions to ensure the immediate abatement of unhealthful and unsafe site conditions at the Property;
- B. Authorize the HCIDLA General Manager, or designee, to execute an amendment to the existing Loan related to the Property, subject to City Attorney approval as to form, to include the following provisions:
  1. Extend the term of the Loan through August 31, 2019;
  2. Allow Loan proceeds to be made available to the Developer/Borrower to clear the site, including necessary and prerequisite building abatement costs;
  3. Set-aside an amount not to exceed \$144,000 of Loan proceeds to pay for project management and oversight services relating to site clearance of the Property;
  4. Allow Loan proceeds to directly pay the general contractor, subcontractors, or vendors upon receipt of invoices for site clearance and abatement costs, or related expenses, without requiring the Developer/Borrower to pay such invoices for reimbursement from Loan proceeds;
  5. Indemnify the Developer/Borrower against any liabilities with respect to site clearance and any hazardous materials existing on the land, or any lawsuits with respect to environmental clearance;
  6. Add terms and conditions for loan conversion, from a predevelopment loan into a construction and permanent loan, and,
  7. Add terms and conditions that cause HCIDLA to forgive the Loan should the project not move forward for reasons related to site clearance of the Property beyond Developer/Borrower control;
- C. Authorize the HCIDLA General Manager, or designee, to execute an amendment to the existing ENA related to the Property to extend the expiration of the negotiating period up to July 5, 2016, subject to City Attorney approval as to form; and,
- D. Authorize the HCIDLA General Manager, or designee, to execute a Permit to Enter with the Developer/Borrower to access the site for the abatement of unhealthful and unsafe site conditions, subject to City Attorney approval as to form.

**BACKGROUND**

On December 16, 2009, the Council authorized the former CRA/LA to enter into an ENA with the Figueroa Corridor Community Land Trust (FCCLT) and the Figueroa Corridor Land Company (FCLC) to master plan, entitle and develop a multi-use project commonly referred to as the Slauson and Wall Green Space and Affordable Housing Project (C.F. 09-2837). The CRA/LA originally intended for the project to include affordable multifamily rental housing targeting low-income families earning at or below

60% of Area Median Income, a community center and a public park. The project site is primarily located at 5867 S. Los Angeles Street in Council District 9 (Property). Other site addresses related to the project consist of 200 East Slauson Avenue, 5828-5936 South Wall Street and 5829-5935 South Los Angeles Street.

On June 17, 2010, the CRA/LA acquired the Property, and accepted \$2 million from FCLC towards the purchase of the Property. On March 22, 2011, the Council authorized the CRA/LA to enter into a Loan with FCLC and Tenemos que Reclamar y Unidos Salvar la Tierra – South LA (TRUST South LA), collectively as the Developer/Borrower, in the amount of \$2,011,668 for predevelopment activities. Through a public selection process, the CRA/LA selected the Developer/Borrower to develop the Property. The second amendment to the ENA recognized the name change for the Developer/Borrower, from FCCLT to TRUST South LA (C.F. 09-2665-S1). As a result of the dissolution of the CRA/LA, the Property, ENA and Loan were transferred to HCIDLA in May 2013 before a Deed of Trust could be recorded (C.F. 12-0049). Since the execution of the Loan by the CRA/LA, the Loan proceeds in the amount of \$2,011,668 for predevelopment activities have not been disbursed, and were transferred to the Low and Moderate Income Housing Fund.

On June 12, 2013, the Mayor and Council authorized the Department of Recreation and Parks (RAP) to accept Proposition 84 Statewide Park Program grant funds in the amount of \$4,999,933 on behalf of the former CRA/LA (C.F. 13-0656). The future park space will be conveyed to RAP for long-term operation and maintenance.

#### Site Description & Challenges

The site consists of seven acres of land bordered by Slauson Avenue, Los Angeles Street, East 59<sup>th</sup> Place and Wall Street. The cumulative total of vacant industrial space at the site is approximately 195,000 square feet. The industrial buildings were built from 1930 to 1950, and previously used as manufacturing facilities for electric motors, metal polishing, wood and furniture finishing and vehicle repair. Slauson Avenue, which is the northern border of the site, is a major arterial road with industrial use frontages consisting of four lanes of vehicle traffic and a railroad running an east-west route. The administrative headquarters of the Brotherhood Crusade is located adjacent to the northwest portion of the site. Founded in 1968, the Brotherhood Crusade is a non-profit organization providing services for underserved populations in South Los Angeles. In addition, there are several single family homes located along the western and southern borders of the site. The surrounding smaller roads are not well-suited to truck traffic and are often crowded. A site map is provided in the Attachment.

The vacant industrial buildings at the Property have been in severe disrepair for decades. Since the transfer of this housing asset in May 2013, HCIDLA has actively managed the site which has resulted in over \$500,000 in security patrol and other expenses. However, there are on-going health and safety concerns at the site. The structures are deteriorating on the Property which are susceptible to trespassing or harboring illegal activity. HCIDLA staff have documented unsafe and blighted conditions in the interior and exterior of the Property, including, but not limited to: the potential presence of asbestos; evidence of vandalism; graffiti and defacement of the Property; and, frequent illegal trash dumping. An inspection by the Los Angeles Department of Building and Safety (LADBS) on March 25, 2015 determined that building code violations and substandard conditions were prevalent throughout the Property. Pursuant to Section 91.8904 and Section 98.0700, et seq. of the Los Angeles Municipal Code, LADBS will be filing a Notice of Nuisance with the Los Angeles County Registrar-Recorder/County Clerk on the property. In addition, a review of crime analysis data provided by the Los Angeles Police Department indicates that over 82 crimes associated with or at the Property were reported within the past five years. Crimes at the site

consisted of: vandalism; burglary; theft; assault with a deadly weapon; and, other violent crimes. The Property is a public safety risk and community nuisance that threatens the safety and welfare of surrounding residents and businesses. Security patrol and other property management expenses continue to be a financial burden to the City. Photographs of the condition of the site are provided in the Attachment.

An environmental review for the previous development proposal was completed by the CRA/LA, pursuant to the California Environmental Quality Act (CEQA). However, the historical significance of the site is inconclusive because of conflicting opinions by historic review professionals. Future development on the site will be subject to additional environmental review pursuant to CEQA and/or the National Environmental Policy Act. The mitigation of the existing unsafe conditions at the Property is statutorily and categorically exempt per Sections 15269 and 15308 of CEQA Guidelines (California Code of Regulations, Title 14, Chapter 3) respectively.

#### Predevelopment Loan Agreement Amendment

To begin mitigation of unsafe and unhealthy site conditions at the site, HCIDLA proposes to amend the existing Loan with the Developer/Borrower to pay for the necessary mitigating tasks. The Developer/Borrower will be compensated in an amount not to exceed \$144,000 from undisbursed \$2,011,668 Loan proceeds to perform mitigating tasks consisting of: obtaining the appropriate site clearance permits with LADBS; contracting with abatement professionals to remove hazards such as lead-based paint or asbestos; and, demolishing the vacant buildings on the site without disturbing the soil. The soil at the site will be tested at a later date and properly mitigated after additional funding commitments are secured and environmental clearances are obtained.

The Loan is currently an unsecured short-term loan due on June 30, 2018. HCIDLA proposes to extend the Loan term to August 31, 2019 and allow for predevelopment loan resources to contribute to the permanent financing sources of the project. HCIDLA also proposes the extension of the ENA to July 5, 2016 to provide for the negotiation of a Disposition and Development Agreement and master planning of the site. The term of the negotiating period expired on July 5, 2015. Under the terms of the ENA, the Developer/Borrower is responsible for securing the entitlements; managing a team of real estate development professionals; and, assembling the required permanent financing sources. The table below provides a summary of proposed milestones for the mitigation of the unsafe and unhealthy site conditions.

<u>Proposed Milestones</u>	<u>Estimated Schedule</u>
Execute amendment to Loan	3 <sup>rd</sup> Quarter 2015
Execute extension to ENA	3 <sup>rd</sup> Quarter 2015
Lead-based paint/asbestos abatement begins	4 <sup>th</sup> Quarter 2015
Lead-based paint/asbestos abatement ends	2 <sup>nd</sup> Quarter 2016
Building demolition begins	2 <sup>nd</sup> Quarter 2016
Expiration of ENA	July 5, 2016
Building demolition ends	3 <sup>rd</sup> Quarter 2016
Expiration of Loan	August 31, 2019

#### FISCAL IMPACT STATEMENT

There is no impact on General Fund. Approval of the recommendations will allow for immediate abatement of unhealthful and unsafe site conditions at 5867 South Los Angeles Street in Council District Nine. Abatement and site clearance costs will be paid from predevelopment loan proceeds. Undisbursed

predevelopment loan proceeds in the amount of \$2,011,668 were transferred to the Low and Moderate Income Housing Fund after dissolution of the CRA/LA.

Prepared by:



MARIANO NAPA  
Finance Development Officer

Reviewed by:

Reviewed by:



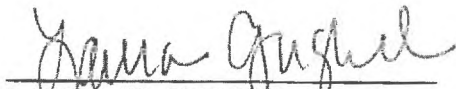
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Director, Finance & Development Division



HELMI HISSERICH  
Assistant General Manager

Reviewed by:

Approved by:



LAURA K. GUGLIELMO  
Executive Officer



RUSHMORE D. CERVANTES  
General Manager

Attachment – Site Map & Photos

SITE MAP & PHOTOS

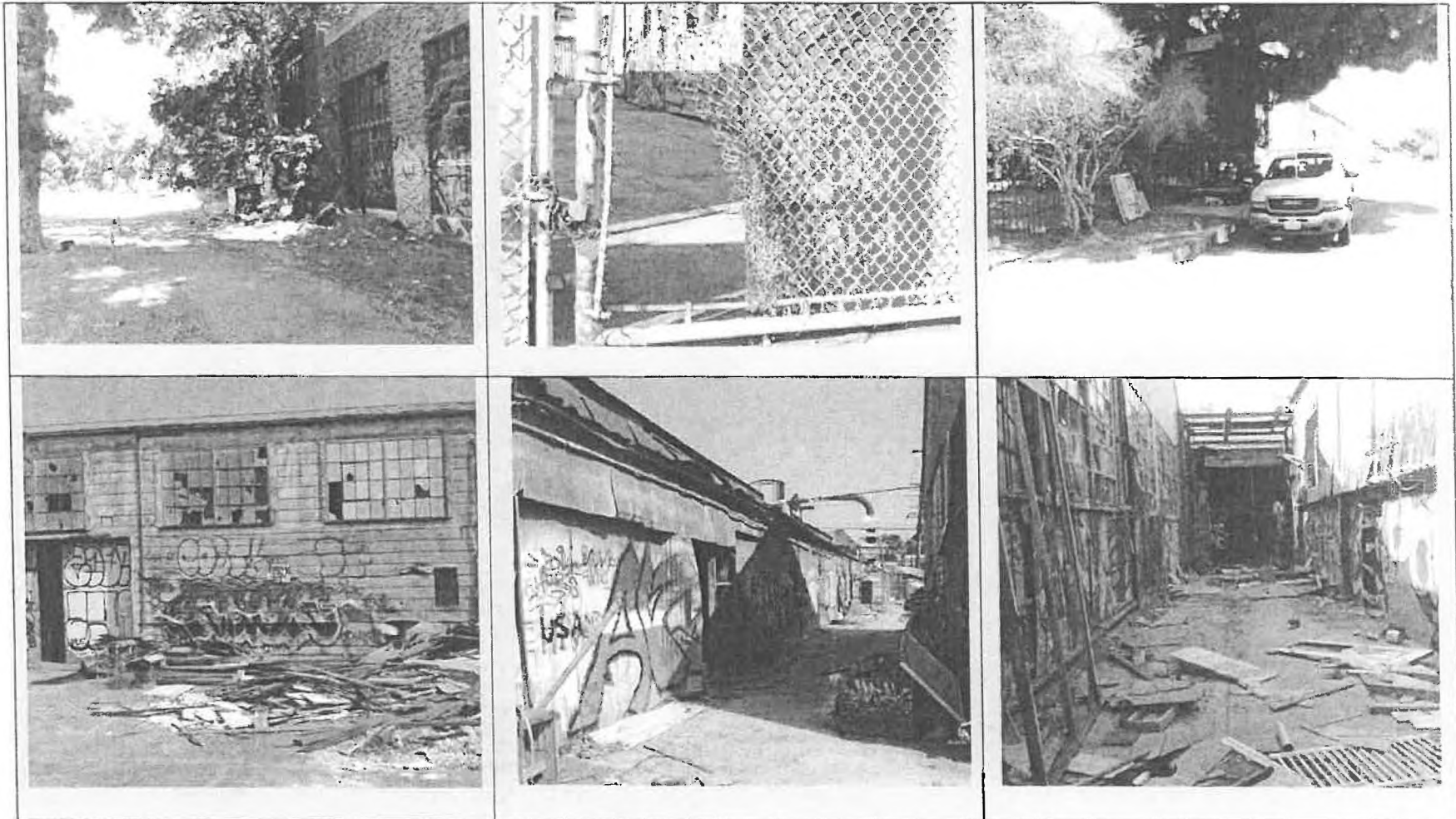
Site Location





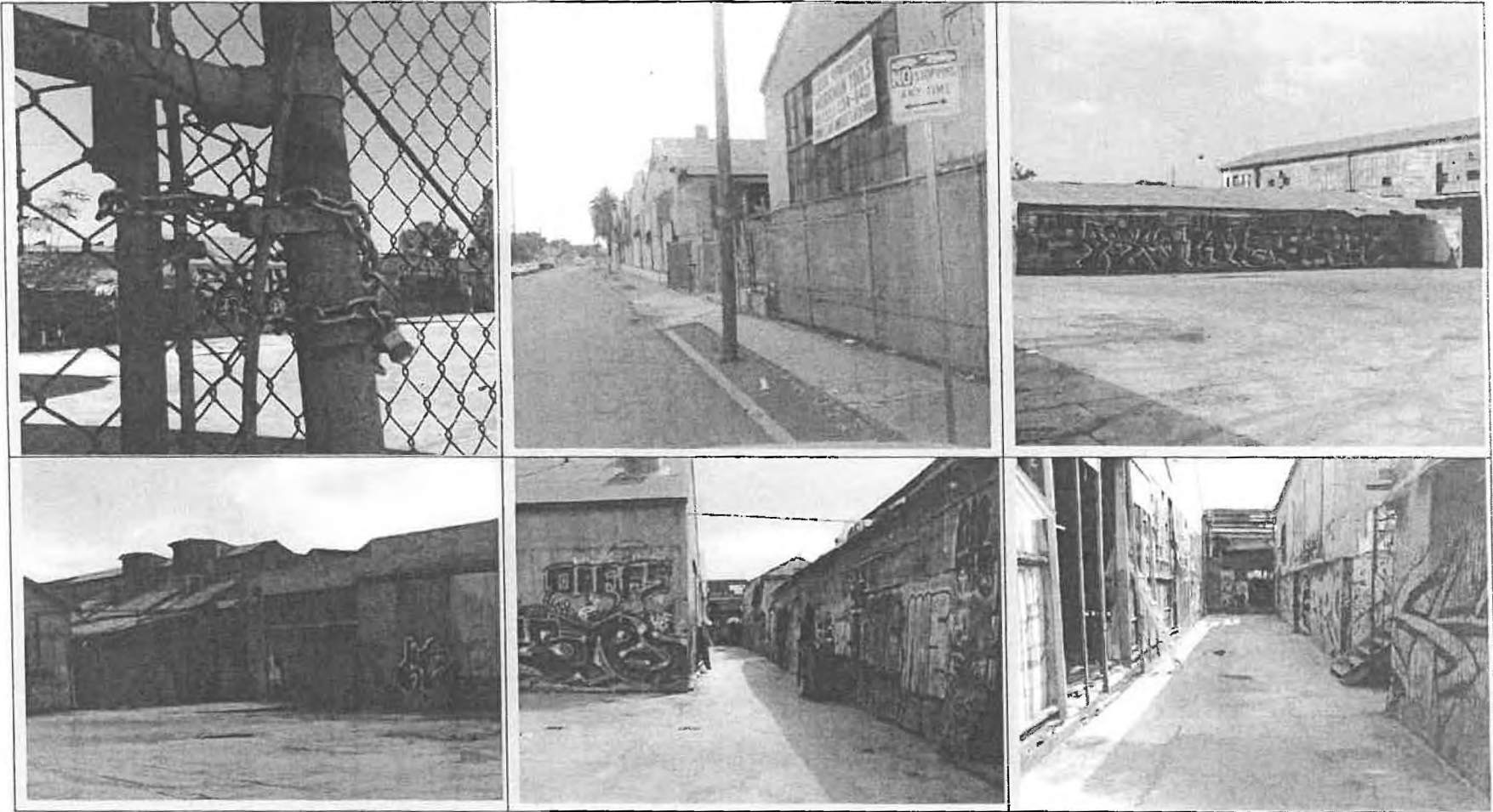
ATTACHMENT  
HCIDLA Various Actions for the Slauson/Wall Green Space & Affordable Housing Project

Site photographs taken on August 22, 2013 and September 10, 2013



ATTACHMENT  
HCIDLA Various Actions for the Slauson/Wall Green Space & Affordable Housing Project

Site photographs taken on October 10, 2013



Site photographs taken on March 18, 2015

