

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 10, 2017

CAO File No. 0220-00540-1254

Council File No. 12-0049-S10;

12-0049-S11

Council District: 1, 8, 10, 13, 14

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Housing and Community Investment Department Transmittal dated October 2, 2017; Received October 3, 2017; Additional Information Received through October 5, 2017

Subject: **REQUEST FOR AUTHORITY TO SELECT DEVELOPERS FOR AFFORDABLE HOUSING PROJECTS AND AUTHORITY FOR VARIOUS ACTIONS RELATED TO THE DISPOSITION AND DEVELOPMENT OF CITY-OWNED PROPERTIES**

RECOMMENDATIONS

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

1. Adopt Recommendations A through E, and Recommendation H included in the related Housing and Community Investment Department (HCID) report dated October 2, 2017 (Report), to authorize the General Manager of HCID, or designee to:
 - a. Select developers for eight affordable housing developments, as identified in HCID's Report;
 - b. Carry out various actions related to the disposition and development of City-owned properties, in conjunction with the Los Angeles Department of Transportation General Manager, or designee, and City Attorney; and,
 - c. 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;
2. Authorize the General Manager of HCID, or designee to:
 - a. Execute a Second Amendment to Contract C-127170 with Estolano LeSar Perez Advisors, Inc. for the continued provision of technical service support to plan, entitle, finance, develop and underwrite HCID multi-family and homeownership projects, to extend the contract term by one year from January 21, 2017 through January 20, 2018, in conformance with the draft Second Amendment attached to this report, subject to the City Attorney review approval as to form and legality, and compliance with the City's contracting requirements; and,

- b. Execute an Amendment to Contract C-128506 with Keyser Marston Associates, Inc. for the continued provision of technical service support to plan, entitle, finance, develop and underwrite HCID multi-family and homeownership projects, to extend the contract term by one year and nine months from November 1, 2017 through June 23, 2019 for a revised total contract term of two years and nine months; and to increase the total contract amount from \$310,000 to \$415,000, using the Low and Moderate Income Housing Fund 55J, 43M844 Technical Services account, in conformance with the draft Amendment attached to this report, subject to the City Attorney review approval as to form and legality, and compliance with the City's contracting requirements.

SUMMARY

The General Manager of the Los Angeles Housing and Community Investment Department (HCID) requests authority to: 1) execute Exclusive Negotiation Agreements (ENA) and Disposition and Development Agreements (DDA) with the selected developers from a Request for Qualifications/Proposals (RFQ/P) process for eight City-owned properties; and 2) execute amendments to two contracts for the continued provision of technical service support to plan, entitle, finance, develop and underwrite HCID multi-family and homeownership projects. This Office concurs with most of HCID's request. However, the two contracts are with consultants from the City Administrative Officer (CAO) pre-qualified list of consultants for technical services, which will expire on June 23, 2019. Therefore, all services for these contracts must be completed prior to June 23, 2019, and the CAO revised recommendations above reflect this. The CAO will conduct another RFQ process for a new pre-qualified list of consultants prior to June 2019.

Request for Qualifications/Proposals (RFQ/P) Process

The Mayor and Council authorized HCID to follow its disposition and development plan to utilize City-owned land assets as potential sites for affordable housing developments in September 2015. On March 20, 2017, the HCID released a RFQ/P to select qualified developers that could seek financing, design, build and market affordable housing for eight City-owned properties. The eight properties consist of five sites formerly owned by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA), two properties combined into a single project that are managed and controlled by the Los Angeles Department of Transportation (LADOT), and one City-owned site identified by the CAO as part of the Affordable Housing Opportunity Sites Program.

The Department released the RFQ/P on the Los Angeles Business Assistance Virtual Network. The HCID received 28 development proposals by the submission deadline of May 24, 2017, but one did not meet the published RFQ/P requirements and was disqualified. A list of the 27 proposers is included in HCID's Report.

A total of eight evaluation teams, one for each of the RFQ/P properties, reviewed and scored the proposals from June through July 2017. The evaluation teams consisted of affordable housing professionals, including staff from HCID, CAO, LADOT, Department of City Planning, and Economic and Workforce Development Department. Each member of the evaluation team reviewed scored the

proposals independently before meeting as a group to tabulate consensus scores for the proposers. The HCID notified each proposer of their final score on August 15, 2017.

The HCID conducted an appeals process in August 2017. The Department convened an Appeals Committee consisting of senior management staff in HCID's Housing Finance and Asset Management divisions, who were not involved in the initial RFQ/P process. The Appeals Committee review concluded that the RFQ/P evaluation teams applied a consistent and fair methodology for scoring all proposals. The HCID's Report includes information on evaluation criteria, point allocation, and final scores for each of the proposers. The Department recommends selecting the proposers ranked in first place to be the developer of the respective property, and requests authority to execute Exclusive Negotiation Agreements and Disposition and Development Agreements with these proposers.

Contracts for Technical Services

The Council allocated \$540,000 in program income from the Low and Moderate Income Housing Fund (LMIHF) No. 55J for technical services to plan, entitle, finance, develop and underwrite housing assets for disposition and development (C.F. 12-0049-S11). The HCID currently has two contracts with consultants from the CAO pre-qualified list of consultants for such technical services. HCID's contract with Estolano LeSar Perez Advisors, LLC for \$125,000 is for a term of 24 months from January 21, 2016 through January 20, 2018, and the contract with Keyser Marston Associates, Inc. for \$310,000 is for a term of 12 months from November 1, 2016 through October 31, 2017. The HCID is requesting to: 1) extend the term of the contract with Estolano LeSar Perez Advisors, LLC by 12 months from January 21, 2017 through January 20, 2018, with no increase in compensation, and 2) extend the term of the contract with Keyser Marston Associates, Inc. by 24 months from November 1, 2017 through October 31, 2019, for a revised total contract term of three years; and to increase the total contract amount from \$310,000 to \$415,000, an increase of \$105,000. However, the CAO pre-qualified list of consultants for technical services will expire on June 23, 2019. Therefore, the term of the contract with Keyser Marston Associates, Inc. should only be extended by 21 months through June 23, 2019. At this time, \$105,000 of the amount allocated for technical services is available for contract amendments. If additional funding is needed, the HCID will return to Council for additional authority.

Charter Section 1022 Determination

In accordance with Charter Section 1022, the Personnel Department determined that there are civil service classifications that could potentially provide some of the services proposed for contracting. After notifying all City departments of the intent to contract in 2014, the CAO determined that the work can be performed more feasibly by contractors than by City employees because contractors can provide technical expertise that is not sufficiently available in the City's workforce, and can perform third-party analysis of proposed economic development programs and real estate transactions, and because departments reported that there was insufficient capacity to perform the proposed services.

Next Steps

According to the sample ENA attached to HCID's Report, the terms of a DDA and/or ground lease for a development site will be negotiated within a 360 day period, but HCID reports that negotiation could be completed sooner. If the result of the negotiations is to sell the property, then the City Attorney will need to draft an ordinance for the sale of property and Council approval is required. If the result of negotiations is a ground lease, then HCID reports that they will not return to Council before proceeding with the ground lease. After the DDA is executed, HCID intends to have the project enter the managed pipeline to search for project funding. The Department states that it will return to Council if financing for the project requires approval. Potential funding sources for the projects include State tax exempt bonds, State tax credits, private financing, and the Affordable Housing Trust Fund, among others.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund. Funding for technical service contracts will be provided by the Low and Moderate Income Housing Fund No. 55J (\$540,000). The recommendations in this report are in compliance with the City's Financial Policies in that funding for technical services contracts is available within the identified funds, and no additional funding commitments are being made at this time. Potential project funding sources include State tax exempt bonds, State tax credits, private financing, and the Affordable Housing Trust Fund, among others.

RHL:EIC:02180033C

CAO ATTACHMENT TO HCID'S REQUEST TO SELECT DEVELOPERS

SECOND AMENDMENT
TO AGREEMENT NUMBER C-127170 OF CITY OF LOS ANGELES CONTRACT
BETWEEN
THE CITY OF LOS ANGELES
AND
ESTOLANO LESAR PEREZ ADVISORS
RELATING TO CONSULTING SERVICES

THIS SECOND AMENDMENT to Agreement Number C-127170 of City of Los Angeles Contract is made and entered into by and between the City of Los Angeles, hereinafter referred to as the City, and Estolano LeSar Perez Advisors, hereinafter referred to as the Contractor.

WITNESSETH

WHEREAS, the City and the Contractor have entered into an Agreement wherein Contractor shall provide certain services, said Agreement effective January 21, 2016 and subsequently amended, which together with all amendments thereto shall hereinafter be referred to as the Agreement; and

WHEREAS, Section 505 of the Agreement provides for amendments to the Agreement; and

WHEREAS, the City and the Contractor are desirous of amending the Agreement as authorized by the City Council and the Mayor (refer to Council File Number 12-0049-S10 & 12-0049-S11 approved by City Council on XXXXber XX 201X & XXXXber XX 201X and concurred by the Mayor on XXXXber XX 201X & XXXXber XX 201X) which authorizes the General Manager of the Housing and Community Investment Department to prepare and execute an amendment to the Agreement for the purpose of: (a) adding an additional twelve (12) months for a new ending date of January 20, 2019; (b) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment; and

WHEREAS, this Amendment is necessary and proper to continue and/or complete certain activities authorized under the Agreement.

NOW, THEREFORE, the City and the Contractor agree that the Agreement be amended as follows:

SECOND AMENDMENT

- §1. Amend Section 201, "Time of Performance", by deleting the current ending date of January 20, 2018, and replacing it with a new ending date of January 20, 2019. This amendment adds an additional twelve (12) months for a total term of thirty-eight (38) months.
- §2. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.
- §3. This Amendment is executed in three (3) duplicate originals, each of which is deemed to be an original. This Amendment includes three (3) pages which constitute the entire understanding and agreement of the parties.

DRAFT

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Agreement to be executed by their duly authorized representatives.

APPROVED AS TO FORM: Executed this _____ day of _____, 2017

MICHAEL N. FEUER, City Attorney

By _____
Deputy/Assistant City Attorney

For: THE CITY OF LOS ANGELES

RUSHMORE D. CERVANTES
Housing and Community Investment
Department

Date _____

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By _____
Laura K. Guglielmo
Executive Officer

By _____
Deputy City Clerk

Executed this _____ day of _____, 2017

Date _____

For: ESTOLANO LESAR PEREZ ADVISORS

By _____
Jennifer LeSar
Co-President/Chief Executive Officer

By _____
Cecilia V. Estolano
Co-President/Chief Executive Officer

City Business License Number: 0002878662-0001-4
Internal Revenue Service Number: 475312888
Council File/CAO File Number: 12-0049-S10 & 12-0049-S11 Date of Approval XXXber, XX, 20XX
Said Agreement is Number C-127170 of City Contracts Amendment 2

FIRST AMENDMENT
TO AGREEMENT NUMBER C-128506 OF CITY OF LOS ANGELES CONTRACT
BETWEEN
THE CITY OF LOS ANGELES
AND
KEYSER MARSTON ASSOCIATES, INC.
CONSULTANT SERVICES

THIS FIRST AMENDMENT to Agreement Number C-128506 of City of Los Angeles Contract is made and entered into by and between the City of Los Angeles, hereinafter referred to as the City, and Keyser Marston Associates, Inc., hereinafter referred to as the Contractor.

WITNESSETH

WHEREAS, the City and the Contractor have entered into an Agreement wherein Contractor shall provide certain services, said Agreement effective November 1, 2016 and subsequently amended, which together with all amendments thereto shall hereinafter be referred to as the Agreement; and

WHEREAS, Section 505 of the Agreement provides for amendments to the Agreement; and

WHEREAS, the City and the Contractor are desirous of amending the Agreement as authorized by the City Council and the Mayor (refer to Council File Number 12-0049-S10 & 12-0049-S11 approved by City Council on XXXXber XX 201X & XXXXber XX 201X and concurred by the Mayor on XXXXber XX 201X & XXXXber XX 201X) which authorizes the General Manager of the Housing and Community Investment Department to prepare and execute an amendment to the Agreement for the purpose of: (a) adding additional funds in the amount of **One Hundred Five Thousand Dollars (\$105,000)** for a new total of **Four Hundred Fifteen Thousand Dollars (\$415,000)**; (b) adding an additional nineteen (19) months twenty-three (23) days for a new ending date of June 23, 2019; (c) making such other changes as are required in connection with the foregoing, all as detailed elsewhere in this Amendment; and

WHEREAS, this Amendment is necessary and proper to continue and/or complete certain activities authorized under the Agreement.

NOW, THEREFORE, the City and the Contractor agree that the Agreement be amended as follows:

FIRST AMENDMENT

§1. Amend Section 201, "Time of Performance", by deleting the current ending date of October 31, 2017, and replacing it with a new ending date of June 23, 2019. This amendment adds an additional nineteen (19) months twenty-three (23) days for a total term of thirty-two (31) months twenty-three (23) days.

§2. Amend Section 301.A, "Compensation and Method of Payment" by deleting the contract total of Three Hundred Ten Thousand Dollars (\$310,000) and replacing it with the new total of **Four Hundred Fifteen Thousand Dollars (\$415,000)**.

This amendment adds **One Hundred Five Thousand Dollars (\$105,000)** for a new contract total of **Four Hundred Fifteen Thousand Dollars (\$415,000)**.

§3. Except as herein amended, all terms and conditions of the Agreement shall remain in full force and effect.

§4. This Amendment is executed in three (3) duplicate originals, each of which is deemed to be an original. This Amendment includes three (3) pages which constitute the entire understanding and agreement of the parties.

IN WITNESS WHEREOF, the City of Los Angeles and the Contractor have caused this Agreement to be executed by their duly authorized representatives.

APPROVED AS TO FORM: Executed this _____ day of _____, 2017

MICHAEL N. FEUER, City Attorney

By _____
Deputy/Assistant City Attorney

For: THE CITY OF LOS ANGELES

RUSHMORE D. CERVANTES
Housing and Community Investment
Department

Date _____

ATTEST:

HOLLY L. WOLCOTT, City Clerk

By _____
Laura K. Guglielmo
Executive Officer

By _____
Deputy City Clerk

Executed this _____ day of _____, 2017

Date _____

For: KEYSER MARSTON ASSOCIATES, INC.

By _____
Kathleen H. Head
Vice President

By _____
James A. Rabe
Vice President & Secretary

City Business License Number: 0000118582-0001-8

Internal Revenue Service Number: 94-2363741

Council File/CAO File Number: 12-0049-S10 & 12-0049-S11 Date of Approval XXXber, XX, 20XX

Said Agreement is Number C-128506 of City Contracts Amendment 1