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CITY ATTORNEY

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REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF
9513 SOUTH SPRING STREET, LOS ANGELES, CALIFORNIA
(COUNCIL DISTRICT 8)**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Honorable Members:

As requested by the City Council, this Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality, authorizing the sale of City-owned real property at 9513 South Spring Street, Los Angeles, CA 90003 (Property) to Habitat for Humanity of Greater Los Angeles, a California non-profit public benefit corporation (Habitat), which was selected by the City through a competitive process.

The Property was transferred to the Los Angeles Housing and Community Investment Department (HCID) on or about May 2013 as part of the former Community Redevelopment Agency of the City of Los Angeles's (CRA/LA) housing assets.

Background

The Property, a 5,010 square foot vacant lot, was acquired in 1988 by the former CRA/LA using housing set-aside funds from tax increment bonds. The Property was part of a larger group of adjacent properties (Master Lot) acquired by CRA/LA after the closure of Broadway Hospital. CRA/LA then sold 4.2 acres of the Master Lot, including the Property to Park Broadway Associates, The Bedford Group and POZ Village

Development (collectively, the Developer), for a project that never materialized. In October of 1992, CRA/LA, purchased the 4.2 acres back from the Developer for \$2.56 million, using Bunker Hill Housing Funds. To the best of the City's knowledge, CRA/LA continued to maintain the Property as a vacant lot, until the transfer to the City in 2013. The City has been maintaining the Property since that time.

Sale of City Property Instead of Lease

Pursuant to HCID's Property Disposition Policy adopted on November 21, 2017, where feasible, it will utilize long-term ground leases for the development of affordable housing projects on publically owned land. However, an exception to this general policy includes when a proposed project, such as this, is developed with affordable homeownership units.

Sale Information

In December of 2016, City Council authorized HCID to release an RFQ/P to selected qualified developers for the development of several properties, including the Property. Habitat earned the highest score out of the three proposals received and, in May of 2017, was selected to develop the Property. Habitat intends to use the Property for the development of an affordable home-ownership project consisting of: (1) a 3-bedroom, 2-bath single family home with a 2-car garage (SFD) and (2) a 1-bedroom, 1-bathroom junior accessory dwelling unit (Junior ADU) without parking (collectively, the Project).

Pursuant to Los Angeles Administrative Code Section 22.606.2(c), HCID is authorized to convey any interest owned or controlled by the City in real property at its fair reuse value, provided there is one or more agreements in place and one or more deed restrictions recorded, requiring the development, use and maintenance of the property for affordable housing purposes for such a period of time as is determined by HCID.

In October of 2017, HCID received authority to sell the Property (CF 12-0049-S10) subject to City Council approval. In March of 2018, HCID obtained an appraisal of the Property which placed its fair market value at \$207,000. In August of 2018, HCID prepared a report as to the estimated fair reuse of the Property taking into account the proposed Project (attached) and determined that the present fair reuse value of the Property is \$159,000. The \$159,000 will be financed by HCID through a City loan to Habitat secured by a note, deed of trust, regulatory agreement and deed restriction. The difference between the FMV and reuse value (\$48,000) will be granted to Habitat but is subject to repayment in the event of a breach of the City Loan Agreement.

Upon completion the Project, Habitat shall sell the Project to a household that is at or below Moderate Income at an affordable price per the California Department of

Housing and Community Development (HCD) (Eligible Buyer). The Eligible Buyer must qualify for and accept a City soft second loan in the amount of \$159,000 to finance the purchase. The Eligible Buyer must use the Project as their primary residence. The Project shall be subject to resale restrictions for a period of 30 years from the date the Certificate of Occupancy or Certificate of Completion, if applicable, is issued for the Project.

The City loan will be deemed repaid by Habitat with the proceeds of the \$159,000 City soft second loan to be made to the Eligible Buyer, who will then assume the debt and resale restrictions. Upon the first sale of the Project for market value following the end of the 30-year resale restrictions, the then-owner shall pay the City the loan principal and its shared appreciation in the Property.

California Environmental Quality Act (CEQA)

This sale of City-owned surplus property is not expected to result in a significant effect on the environment and, therefore, is categorically exempt from the provisions of CEQA per California Code of Regulations Section 15312 and Article III, Class 12 of the City of Los Angeles CEQA Guidelines.

Council Rule 38 Referral


A copy of the draft ordinance was sent, pursuant to Council Rule 38, to HCID with a request that any comments be transmitted directly to Council or its committees when this matter is considered.

If you have any questions regarding this matter, please contact Deputy City Attorney Mei-Mei Cheng at (213) 922-8375. She or another member of this Office will be present when you consider this matter to answer questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By


DAVID MICHAELSON
Chief Assistant City Attorney

DM:MMC:jm
Transmittal