



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R13-0291
Oct 07 2013

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF 960 WEST 62nd PLACE
TO THOMAS SAFRAN AND ASSOCIATES DEVELOPMENT, INC.**

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

Council File No. 12-1941

Pursuant to your request, this Office has prepared and now transmits for your consideration, approved as to form and legality, the enclosed draft ordinance, which authorizes the sale of City-owned real property located at 960 West 62nd Place, Los Angeles, California (Property) to Thomas Safran and Associates Development, Inc., a California corporation (TSAD). The property was acquired by the City through the foreclosure of a delinquent loan issued by the Los Angeles Housing Department (LAHD). TSAD was selected by the City through a competitive process utilizing a Request for Proposal (RFP) as a means to market and select a qualified buyer.

Background and Summary of Ordinance Provisions

On or about August 31, 1995, LAHD provided a residual receipt loan in the amount of \$6,040,000 to Plaza Vermont Limited Partnership, a California limited partnership (Borrower), for the acquisition and development of the Property. The loan was funded through the Community Development Block Grant (CDBG). The Property was originally intended to be a mixed use project consisting of 79 residential units and 7,000 square feet of commercial space. The terms of the loan required the Borrower to make principal reduction payments starting in 2001. The Borrower failed to make the

required payments and, while the residential portion of the Property was completed, Borrower did not make any progress on the development of the vacant lot into commercial space. Thus, a Notice of Default was recorded, and ownership of the Property reverted back to the City via foreclosure sale.

Since the Borrower failed to develop the vacant commercial space as originally intended and because the area in which the Property is located is in need of public parks, LAHD opted to work with the City's Department of Recreation and Parks (DRP) to develop a community park. Pursuant to CFR Section 570.201(c), CDBG funds may be used for the acquisition, construction, rehabilitation or installation of public facilities which includes parks and playgrounds. Therefore, the development of the park is an eligible use of CDBG funds.

In December of 2011, LAHD received Mayor and Council authority (CF No. 10-1869) to seek proposals for the disposition of the Property through a Request For Proposal (RFP). The RFP required that the prospective buyers rehabilitate the residential portion of the Property and maintain it as affordable housing for 55 years and submit plans to complete the process of developing the vacant commercial space into a community park.

On March 5, 2012, LAHD released the RFP for the disposition of the Property, posting it on both the City of Los Angeles and Los Angeles Business Assistance Virtual Network (LABAVN) websites. A Physical Needs Assessment (PNA) was attached to the RFP to provide disclosure as to the repairs needed to rehabilitate the Property. On March 20, 2012, a Bidder's Conference took place at the Property with 47 attendees from 36 different organizations.

The deadline for submission of proposals was April 13, 2012. A total of eight (8) proposals were received by the submission deadline. Based upon the scoring of the applicants, TSAD was the winning proposer.

The purchase price of the Property is its full appraised value of \$7,150,000. LAHD will provide the Borrower with the financing necessary to purchase the Property in the form of a Residual Receipt Loan Agreement (Loan Agreement) for a term of 55 years with interest at the rate of five percent (5%). Repayment of the loan will be secured by a Note and a Deed of Trust on the property.

As a part of the purchase and sales agreement, TSAD has also agreed to: (1) complete the recordation of the parcel map and any other necessary steps needed to separate the commercial property from the existing residential project on the Property; (2) donate the commercial property to the DRP; and (3) donate a lump sum of \$100,000 to the DRP for the development of the park. Failure to complete steps (1) through (3) within 180 days after the Close of Escrow will represent an Event of Default under the

Loan Agreement and Deed of Trust which will allow the City to foreclose on the property.

The public interest necessitates the sale of this Property because it will increase the availability of safe, sanitary and affordable housing for persons and families of Low or Moderate Income. The sale is in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

Council Rule 38

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

California Environmental Quality Act (CEQA)

Based on the factual information provided by LAHD, it appears that the proposed ordinance falls within the Class 1 and Class 25 CEQA Categorical Exemptions, and is therefore exempt from CEQA environmental review. (State CEQA Guidelines Sections 15301(a) and (d) and 15325 (f)).

The Class 1 exemption covers repair, maintenance or minor alteration of existing structures involving negligible or no expansion of use beyond that existing at the time of the lead agency's approval action. Subject to that requirement, Class 1 includes interior or exterior alterations of existing structures involving such things as interior partitions, plumbing, and electrical conveyances, and it includes restoration or rehabilitation of deteriorated or damaged structures to meet current public health and safety standards, unless the damage was substantial and resulted from an environmental hazard such as earthquake, landslide or flood. The Class 25 exemption covers the transfer of ownership of interest in land in order to preserve open space or lands for park purposes.

If you conclude based on the factual information available to you in the record that the ordinance is exempt on these grounds, we recommend that you make that exemption determination before adopting the ordinance. After adopting the ordinance, we recommend that you direct LAHD staff to file a Notice of Exemption form with the County Clerk's Office.

If you have any questions regarding this matter, please contact Deputy City Attorney Mei-Mei Cheng at (213) 978-0055. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 

DAVID MICHAELSON
Chief Assistant City Attorney

DJM:MMC:as
Transmittal

ORDINANCE NO. _____

An ordinance authorizing and providing for the sale of certain City-owned real property, located at 960 West 62nd Street, Los Angeles, CA 90044 (described below and sometimes referred to as the "Property") acquired through foreclosure by the Los Angeles Housing Department (LAHD).

WHEREAS, in on or about August 31, 1995, LAHD provided a residual receipt loan in the amount of \$6,040,000 to Plaza Vermont Limited Partnership, a California limited partnership (Borrower) for the acquisition and development of the Property; and

WHEREAS, the loan was funded through the Community Development Block Grant (CDBG); and

WHEREAS, the Property was originally intended to be a mixed use project consisting of 79 residential units and 7,000 square feet of commercial space; and

WHEREAS, the Borrower failed to make its required principal reduction payments and, while the residential portion of the Property was completed, did not make any progress on the development of the vacant lot into commercial space; and

WHEREAS, a Notice of Default was recorded and ownership of the Property reverted back to LAHD via foreclosure sale; and

WHEREAS, since the Borrower failed to develop the vacant commercial space as originally intended and because the area in which the Property is located is in need of public parks, LAHD opted to work with the City's Department of Recreation and Parks (DRP) to develop a community park; and

WHEREAS, pursuant to CFR Section 570.201(c), CDBG funds may be used for the acquisition, construction, rehabilitation or installation of public facilities which includes parks and playgrounds; and

WHEREAS, therefore the development of the park is an eligible use of CDBG funds; and

WHEREAS, in December of 2011, LAHD received Mayor and Council authority to seek proposals for the disposition of the Property through an RFP process (RFP) (CF No. 10-1869); and

WHEREAS, the RFP required that the prospective buyers rehabilitate the residential portion of the Property and maintain it as affordable housing for 55 years and submit plans to complete the process of developing the vacant commercial space into a community park; and

WHEREAS, on March 5, 2012, LAHD released the RFP for the disposition of the Property, posting it on both the City of Los Angeles and Los Angeles Business Assistance Virtual Network (LABAVN) websites; and

WHEREAS, a Physical Needs Assessment (PNA) was attached to the RFP to provide disclosure as to the repairs needed to rehabilitate the Property; and

WHEREAS, on March 20, 2012, a Bidder's Conference took place at the Property with 47 attendees from 36 different organizations; and

WHEREAS, a total of eight (8) proposals were received by the submission deadline of April 13, 2012; and

WHEREAS, based upon the scoring of the applicants, Thomas Safran and Associates Development, Inc., a California corporation (TSAD), was the winning proposer; and

WHEREAS, the purchase price of the Property is its full appraised value of \$7,150,000; and

WHEREAS, LAHD will provide the Borrower with the financing necessary to purchase the Property in the form of a Residual Receipt Loan Agreement (Loan Agreement) for a term of 55 years with interest at the rate of five percent (5%), and repayment of the loan will be secured by a Note and a Deed of Trust on the property; and

WHEREAS, as a part of the purchase and sales agreement, TSAD has also agreed to: (1) complete the recordation of the parcel map and any other necessary steps needed to separate the commercial property from the existing residential project on the Property; (2) donate the commercial property to the DRP; and (3) donate a lump sum of \$100,000 to the DRP for the development of the park. Failure to complete steps (1) through (3) within 180 days after the Close of Escrow will represent an Event of Default under the Loan Agreement and Deed of Trust which will allow the City to foreclose on the property; and

WHEREAS, the public interest necessitates the sale of this Property because it will increase the availability of safe, sanitary and affordable housing for persons and families of Low or Moderate Income; and

WHEREAS, the sale is in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

NOW, THEREFORE,

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. The Council of the City of Los Angeles hereby confirms that the Property (described below) which is owned by LAHD and which was acquired by foreclosure in order to protect the City's financial interest in the Property and is located at the address set forth herein cannot be used for the regular use of the City, and that the public interest and necessity require placing the Property in the hands of a private party which has the resources, knowledge and expertise to rehabilitate and maintain the Property as affordable housing.

It is hereby ordered that such Property be sold to TSAD for a purchase price of its appraised value of \$7,150,000. TSAD was selected by LAHD through a competitive process and will continue to use the residential portion of the Property for affordable housing. TSAD will also donate the vacant lot portion of the Property as well as a lump sum payment of \$100,000, to DRP for the development of a community park.

The sale will facilitate the rehabilitation of the Property and the availability of quality and affordable housing for persons and families of Low or Moderate Income and is in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

The Property consists of:

Location: 960 West 62nd Place
Los Angeles, CA 90044
Ownership: LAHD: 100%

Legal Description:

THE LAND IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF LOS ANGELES, AND IS DESCRIBED AS FOLLOWS:

THAT PORTION OF THE SOUTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 2 SOUTH, RANGE 13 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTH LINE OF 62ND PLACE, 50 FEET WIDE, WITH THE EAST LINE OF VERMONT AVENUE, 80 FEET WIDE, AS BOTH ARE SHOWN ON THE MAP OF TRACT 4909 RECORDED IN BOOK 52 PAGE 56 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY;

THENCE NORTH 89 DEGREES 27' 15" EAST ALONG SOUTH LINE A DISTANCE OF 301.63 FEET TO THE WEST LINE OF TRACT NO. 4909 THENCE SOUTH ALONG SAID WEST LINE 272.85 FEET TO THE NORTH LINE OF GAGE AVENUE, 50 FEET WIDE (FORMERLY 63RD PLACE, AS SHOWN ON SAID MAP); THENCE SOUTH 89 DEGREES 40' 25' WEST, ALONG SAID NORTH LINE, 301.63 FEET TO SAID EAST LINE OF VERMONT AVENUE; THENCE NORTH, ALONG SAID EAST LINE A DISTANCE OF 271.70 FEET TO THE POINT OF THE BEGINNING.

ALSO THE WESTERLY 20 FEET OF LOTS 1 AND 18 OF TRACT 4909, AS SHOWN ON MAP RECORDED IN BOOK 52, PAGE 56 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL THAT PORTION OF THE WESTERLY 20 FEET OF LOT 18, TRACT NO. 4909, AS PER MAP RECORDED IN BOOK 52, PAGE 56 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AND ALL THAT PORTION OF THE SOUTH ONE-HALF OF THE SOUTHWEST ONE-QUARTER OF THE SOUTHWEST ONE-QUARTER OF THE NORTHEAST ONE-QUARTER OF SECTION 19, TOWNSHIP 2 SOUTH, RANGE 13 WEST, SAN BERNARDINO MERIDIAN, AS SHOWN ON MAP OF SAID TRACT NO. 4909, AS BEING NOT A PART OF THIS SUBDIVISION AND LAYING WESTERLY OF SAID LOT 18, INCLUDED WITHIN A STRIP OF LAND 40 FEET WIDE, LYING NORTHEASTERLY OF THE CONTIGIOUS TO THE FOLLOWING DESCRIBED LINE, AND ALL THAT PORTION OF SAID PARCEL OF LAND LYING SOUTHWESTERLY OF SAID FOLLOWING DESCRIBED LINE:

COMMENCING AT THE INTERSECTION OF THE CENTERLINE OF VERMONT AVENUE, 80 FEET WIDE, WITH THE CENTERLINE OF GAGE AVENUE (FORMERLY 63RD PLACE), 50 FEET WIDE, BOTH AVENUES AS SHOWN ON SAID MAP OF SAID TRACT NO. 4909; THENCE EASTERLY ALONG SAID LAST MENTIONED CENTERLINE A DISTANCE OF 470.00 FEET; THENCE NORTHERLY AT RIGHT ANGLES, FROM SAID LAST MENTIONED CENTERLINE TO A POINT OF INTERSECTION WITHIN A LINE PARALLEL, WITH AND DISTANT 5 FEET NORTHERLY, MEASURED AT RIGHT ANGLES, FROM SAID LAST MENTIONED

CENTERLINE, SAID LAST MENTIONED POINT OF INTERSECTION TO BE THE TRUE POINT OF BEGINNING FOR THE PURPOSE OF THIS DESCRIPTION; THENCE WESTERLY ALONG SAID LAST MENTIONED PARALLEL LINE A DISTANCE OF 43.19 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHEASTERLY, HAVING A RADIUS OF 720 FEET; THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE 21 DEGREES 26' 32" AND ARC DISTANCE OF 269.45 FEET TO A POINT OF TANGENCY IN A LINE, SAID TANGENT LINE PASSES THROUGH SAID CENTERLINE OF VERMONT AVE, AT A POINT DISTANCE 118.83 FEET NORTHERLY, MEASURED ALONG SAID LAST MENTIONED CENTERLINE FROM THE POINT OF COMMENCEMENT, THENCE NORTHWESTERLY ALONG SAID TANGENT LINE A DISTANCE OF 186.00 FEET.

EXCEPTING AND RESERVING unto the City of Los Angeles, all oil, gas, water and mineral rights now vested in the City of Los Angeles without, however, the right to use the surface of said land or any portion thereof to a depth of 500 feet below the surface, for the extraction of such oil, gas, water and minerals.

SUBJECT TO covenants, conditions and restrictions, reservations, easements, rights and rights-of-way of record or which are apparent from visual inspection of the real property and excepting and reserving to the City of Los Angeles any interest in the fee to the adjacent streets which would otherwise pass with the conveyance of the above described parcel of land.

ALSO SUBJECT TO the Property being sold in an “**AS IS**” condition and without any warranty as to fitness for use, fitness for a particular use, or condition of the Property, there is no obligation on the City to correct any condition of the Property, whether known before or after the close of escrow.

Sec. 2. The General Manager of LAHD is hereby authorized and directed to execute a deed, contract or other instrument necessary to effectuate the sale of the City's interest in the Property, described in Section 1 of this ordinance, to TSAD and the City Clerk of Los Angeles is hereby authorized and directed to attest thereto and to affix the City Seal.

Sec. 3. LAHD is authorized to open escrow, issue title transfer instructions, and deliver deeds.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, Interim City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
MEI-MEI CHENG
Deputy City Attorney

Date 10-7-13

File No. _____