

CITY OF LOS ANGELES

CALIFORNIA



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MAYOR

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HOLLY L. WOLCOTT
Interim City Clerk

When making inquiries relative to
this matter, please refer to the
Council File No.

March 3, 2014

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 13-0303-S2,
at its meeting held February 26, 2014.



City Clerk
wrq

Mayor's Time Stamp
OFFICE OF THE CITY CLERK
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2014 FEB 27 PM 2:07
CITY OF LOS ANGELES

City Clerk's Time Stamp
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2014 FEB 27 PM 1:56
CITY CLERK
BY _____
DEPUTY

SUBJECT TO THE MAYOR'S APPROVAL

COUNCIL FILE NO. 13-0303-S2

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE February 26, 2014

RE: TRANSFER OF A \$4 MILLION CITY GENERAL FUND COMMITMENT TO PACIFIC INVESTMENTS FOR REHABILITATION OF THE ALEXANDRIA HOTEL LOCATED AT SPRING AND FIFTH STREETS

LAST DAY FOR MAYOR TO ACT MAR 10 2014
(10 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY

APPROVED

✓

*DISAPPROVED

*Transmit objections in writing pursuant to Charter Section 341

DATE OF MAYOR APPROVAL OR DISAPPROVAL 3/1/14

EG
MAYOR

13-0303-62

HOUSING

MOTION

FEB 21 2014

The Alexandria Hotel is a 100-year old landmark located in the City's Downtown Historic Core at the southwestern intersection of Spring and 5th streets.

In 2006, the Alexandria Hotel was re-developed and financially re-structured as an affordable housing development using \$11.9M in CRA/LA funds, \$18.0M in tax credit proceeds and a construction loan from East West Bank. The re-developed Alexandria Hotel was programmed to serve low income individuals at various levels of affordability; from 30% to 60% of Area Median Income. Unfortunately, by January 2013, despite the \$30.0M in public subsidies, the residential rehabilitation was still incomplete and both the East West Bank and CRA/LA loans were in default.

In April 2013 the CRA/LA transferred 692 housing loans totaling \$670 Million to the Los Angeles Housing and Community Investment Department (HCID-LA), including the Alexandria Hotel's \$11.9M defaulted loan. After considerable investigation and analysis, HCIDLA concluded that an additional \$4.0M in City investment is required to complete the renovation, eliminate foreclosure exposure and preserve the current affordability. On June 28, 2013 the City Council approved the use of \$4.0M in City General Funds to complete this work out (C.F. 13-0303). The previous City Council approval contemplated Thomas Safran and Associates as the new developer/operator.

In late July 2013, Thomas Safran and Associates lost the right to purchase the Alexandria Hotel to Pacific Investments. Pacific Investments is owned and controlled by Mr. Izek Shomof. Pacific Investments is an experienced residential property owner and has made significant contributions to upgrading the City's Downtown Historic Core. In fact, Pacific Investments controls the ownership of 11 Downtown Historic Core properties consisting of more than 1,200 units.

Pacific Investments has structured a very similar work out for the Alexandria Hotel, including (1) significant reduction of conventional debt, (2) approximately \$8M in renovations to the residential floors, (3) approximately \$2M renovations to the commercial floors, (4) the

commitment of master-leasing at least 60 units to the Department of Health Services and (5) the commitment to maintaining the same affordable rent schedule. In order to effectuate this work out, HCIDLA recommends that the \$4.0M in General Funds previously approved by the Mayor and City Council for Thomas Safran and Associates be assigned to Pacific Investments.

I, THEREFORE, MOVE, due to the urgency driven by the potential collapse of this workout if a City commitment is not received on or about March 1, 2014, that the City Council determine, as provided in Section 242, of the City Charter, and pursuant to Rule 16 of the Rules of the City Council, that this duly seconded Motion be placed on the next Council Agenda to be posted for a regular meeting instead of having it referred to a Committee.

I, FURTHER MOVE, subject to the approval of the Mayor, that the following actions be taken:

- a. The City of Los Angeles transfer its previously-made commitment to lend \$4.0M in General Funds for the work out of the Alexandria Hotel from Thomas Safran and Associates to Pacific Investments, or designee.
- b. The Housing and Community Investment Department be authorized to negotiate the transaction, and document such transaction through loan documents approved by the City Attorney, in order to effectuate the City Council approval (C.F. 13-0303) and this motion, including, but not limited to, the modification of the existing CRA/LA loan agreement.
- c. The General Manager, HCIDLA, or designee, be authorized to prepare any additional Controller instructions and make necessary technical adjustments consistent with the Mayor and City Council actions in this matter, subject to the approval of the Administrative Officer (CAO) and authorize the Controller to implement these instructions.

FEB 27 2014

ADOPTED

FEB 26 2014

LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

PRESENTED BY: _____

SECONDED BY: _____

ORIGINAL