

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

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Interim City Clerk

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

March 19, 2014

To All Interested Parties:

The City Council adopted to NOTE AND FILE the action(s), as attached, under
Council File No. 13-0303-S3, at its meeting held March 18, 2014.



City Clerk
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TO CITY CLERK FOR PLACEMENT ON NEXT
REGULAR COUNCIL AGENDA TO BE POSTED #53

MOTION

48 13-0303-S3
CD1

The MacArthur Park Apartments Phase B ("Development") is an 82-unit affordable housing development to be located on top of the Wilshire and Alvarado Red Line Metro station. The Development was awarded an Affordable Housing Trust Fund (AHTF) commitment in the amount of \$6,786,945 (C.F. 13-0303) and subsequently received an allocation of 9% Low Income Housing Tax Credits. According to tax credit regulations, construction must begin by March 24, 2014, or the Development may lose its tax credit allocation in addition to \$12.5 million in tax credit equity.

Subsequent to the AHTF commitment but prior to loan closing, several conditions associated with the construction of the Development over the Red Line subway tunnel were encountered. First, modifications to the building's foundation were required; thereby adding costs to underground work. In addition, offsite building connections are significantly farther than anticipated, some as far away as a quarter of a mile; thereby increasing connection costs. Finally, the unique construction challenges of working above and through a rail tunnel has severely limited the number of qualified subcontractors. The small pool of qualified subcontractors has made costing out the project a challenge, with some trades asking a premium for their participation. These unforeseen circumstances resulted in an increase in construction costs by approximately \$3.3 million, which equates to a 4% increase in the construction budget.

Although the developer has agreed to defer a portion of his developer fee and reduced costs through reasonable value engineering that will not impact the structural soundness of the structure, a \$1.1 million funding gap remains. The developer has requested additional funds from HCIDLA to close this gap as the project will not support additional conventional debt.

Because HCIDLA had committed its available funds to other projects, the developer and HCIDLA agreed to the transfer of \$1.1 million from the Highland Park Transit Village (an affordable housing project by the same developer) in order to increase the AHTF loan for the MacArthur Park Apartments Phase B project. The Highland Park Transit Village was previously awarded an AHTF commitment of \$1,725,083 and has been accepted into HCIDLA's Managed Pipeline (C.F. 13-0303), but is not ready to proceed with construction at this time because it is in the process of obtaining entitlements and environmental clearances. HCIDLA will return for City Council approval to restore the \$1.1 million in funding to the Highland Park Transit Village upon final resolution of the project's entitlement and environmental issues.

The recommended actions, while preventing construction delays and possible loss of tax credit financing for the MacArthur Park Phase B project, will not create any development delays for the Highland Park Transit Village.

I THEREFORE MOVE:

1. That the HCIDLA General Manager be authorized to:
 - A. De-obligate \$1,100,000 from the following project, which was previously approved for an AHTF commitment in the amount of \$1,725,083.00 (C.F.13-0303). The remaining obligation is as follows:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
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Highland Park
Transit Village 561/4343 C212 AHTF \$625,083.00

- B. Increase the AHTF loan for the MacArthur Park Apartments Phase B project in the amount of \$1,100,000, for a total AHTF loan of \$7,886,945;
 - C. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement these instructions;
2. That the City Controller be authorized to allocate and expend funds from the following fund and account for the project below:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
MacArthur Park Metro Phase B AHTF	561/43	43C212		\$1,100,000.00

PRESENTED BY: *Gilbert Cedillo*
GILBERT CEDILLO
Councilman, 1st District

SECONDED BY: *[Signature]*

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MAR 18 2014 - **Noted and Filed**

MAR 4 2014