

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 02/29/2016

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

**Housing Development Bureau**  
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February 26, 2016

Council File: C.F. #13-1303  
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The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 300, City Hall  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**REQUEST FOR APPROVAL TO AMEND AND EXTEND THE TERMS OF THE LOAN AGREEMENTS WITH HOLLYWOOD COMMUNITY HOUSING CORPORATION (HCHC) FOR THE FLORENCE MILLS AND CORONEL APARTMENTS AND THE LOAN AGREEMENT WITH SINGLE ROOM OCCUPANCY HOUSING CORPORATION (SRO) FOR THE PANAMA HOTEL APARTMENTS**

**SUMMARY**

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) requests approval to amend the loan agreements for three former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) affordable housing developments: Florence Mills, Coronel Apartments and the Panama Hotel Apartments. HCIDLA acquired the three projects as the successor agency to the CRA/LA. All three projects have been admitted into HCIDLA's Affordable Housing Trust Fund (AHTF) managed Pipeline.

- The Florence Mills and Coronel Apartments projects have been unable to convert their CRA/LA acquisition/predevelopment loan into permanent financing due to unforeseen project delays. The extension of the loan terms will allow the projects to apply to the California Tax Credit Allocation Committee (CTCAC) for Low Income Housing Tax Credits (LIHTC), secure permanent financing and resolve the remaining entitlement issues in order to commence construction.
- The CRA/LA loan term for the Panama Hotel Apartments does not comply with Internal Revenue Service and investor requirements and it expires prior to the new AHTF loan. In order to enable the Panama Hotel Apartments to secure construction loan financing, the terms of both the CRA/LA and AHTF loans should be concurrent, therefore an extension of the CRA/LA loan is

being requested. The Panama Hotel Apartments was awarded LIHTC's in September 2015 and must close their construction loan by March 2016.

## **RECOMMENDATIONS**

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter.
- II. The City Council, subject to the approval of the Mayor, take the following actions:
  - A. Authorize the HCIDLA General Manager, or designee, to negotiate and execute an amended loan agreement with Hollywood Community Housing Corporation (HCHC) relative to the development of the Coronel Apartments and to extend the terms of the loan agreement from the expiration date of September 29, 2015 to September 29, 2018, subject to the review and approval by the City Attorney as to form;
  - B. Authorize the HCIDLA General Manager, or designee, to negotiate and execute an amended loan agreement with Hollywood Community Housing Corporation (HCHC) relative to the development of Florence Mills and to extend the terms of the loan agreement from the expiration date on March 8, 2016 to March 8, 2019, subject to the review and approval by the City Attorney as to form;
  - C. Authorize the HCIDLA General Manager, or designee, to negotiate and execute an amended loan agreement with SRO relative to the rehabilitation of the Panama Hotel Apartments and to extend the term of the CRA/LA loan agreement to be concurrent with the new AHTF 42 year loan. The CRA/LA loan currently expires on December 27, 2033. The new extended loan term, shall be March 2058, subject to the review and approval by the City Attorney as to form; and
  - D. Authorize the HCIDLA General Manager, or designee, to prepare Controller's instructions for any necessary technical adjustments consistent with the Mayor and City Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

## **BACKGROUND**

### **Coronel Apartments**

HCIDLA is requesting to extend the initial term of the acquisition and predevelopment loan agreement for the Coronel Apartments for a period of three years, with an expiration date of September 29, 2018, thereby providing sufficient time for the project to resolve a California Environmental Quality Act (CEQA) lawsuit and apply for and receive LIHTC's and commence construction.

The Coronel Apartments is a 54-unit affordable family housing development located at 1600 – 1608 N. Serrano Avenue and 1601 N. Hobart Boulevard in East Hollywood. The proposed development combines new construction and rehabilitation. A non-historic structure will be rehabilitated on the Serrano Street

frontage providing three units. Two new four-story buildings over one level of subterranean parking will be constructed adjacent to complete the development. The project will serve low income individuals and families, with six units reserved for households that are homeless, at risk of becoming homeless, and/or homeless veterans.

On July 2, 2010, the City Council authorized the former CRA/LA to execute an acquisition/predevelopment loan agreement with HCHC in the amount of \$5.027 million (C.F. 10-1063). The term of the loan was two years, subject to an extension by the CRA/LA of up to one additional year. After the transfer of the Coronel Apartments project from the former CRA/LA to HCIDLA was finalized, HCIDLA received City Council authority in September 2013 to extend the CRA/LA loan agreement to September 29, 2015.

On August 27, 2015, a lawsuit was filed against the project regarding the California Environmental Quality Act (CEQA) which named HCHC and the City of Los Angeles as defendants. HCHC and the City of Los Angeles are in the process of negotiating a settlement pertaining to the CEQA lawsuit. This lawsuit is delaying the project. The project is fully funded with the exception of LIHTC. Its status is dependent upon the successful resolution of the lawsuit. HCHC expects the Coronel Apartments to apply for tax credits in June 2016 and the project is currently in the HCIDLA managed Pipeline.

### Florence Mills

Florence Mills is a 74-unit affordable, large family housing development, with 5,000 square feet of commercial space, located at 3501 S. Central Avenue, 3509 S. Central Avenue, 1037 - 1041 E. Martin Luther King Blvd., 1036 E. 35th Street and 1046 E. 35th Street in South Los Angeles, Council District No. 9. In addition there is a 5,000 square foot commercial component in which the developer is working with South Central Family Health Center to put in a Federally Qualified Health Center into the commercial space to serve the community. The request is to extend the term of the loan agreement from the expiration date of March 8, 2016 to March 8, 2019.

Unfortunately, the Florence Mills development has experienced delays as a result of the demise of the CRA/LA, which also included accessing CRA/LA loan funds. Additionally, the CRA/LA did not have time to approve a replacement housing plan for the project prior to its dissolution which caused HCHC to acquire occupied properties with an outside loan source. HCHC used Community Foundation Land Trust (CFLT) funds to acquire two parcels. The CRA/LA loan was finally amended in late May 2015. HCHC incurred over \$210,000 in CFLT loan interest which led to insufficient funds in the CRA/LA loan to acquire the remaining two parcels necessary to proceed with the project. Ultimately, HCHC decided to obtain an acquisition loan from the Low Income Investment Fund (LIIF) and closed escrows on the parcels in June 2015 and immediately moved forward with filing to obtain their entitlements. The Florence Mills project was granted access to the HCIDLA's AHTF Pipeline in August 2013. Florence Mills is also in the process of filing a parcel map and airspace subdivision which also includes a partial alley vacation and density bonus with the City Planning's Expedite Unit. Florence Mills will apply to CTCAC for tax credits in March 2017.

### Panama Hotel Apartments

On July 1, 2015, Panama Hotel Apartments applied to CTCAC for 9% tax credits. On September 23, 2015 tax credits were awarded to the project. The Panama Hotel Apartments received 20 points for readiness to proceed and must meet CTCAC requirements, including securing permits, commencing


construction, closing all construction financing and the tax credit partnership, and submitting evidence to CTCAC no later than 180 days from the date of the tax credit award (March 21, 2016), or the tax credit award shall be rescinded. To secure construction loan financing and tax credit equity and meet the tax credit deadline, the terms of both CRA/LA loan and AHTF should be concurrent, therefore an extension of the CRA/LA loan is being requested. The new extended loan term shall be up to March 2058.

The Panama Hotel Apartments project is located at 403 East 5<sup>th</sup> Street, Los Angeles, CA 90013 and consists of a four-story hotel containing 235 rooms. The site is located in Council District 14 and is bordered by Winston Street to the north, a single-story commercial structure and a parking lot to the east, and a parking lot and a four-story structure to the west. The rehabilitation of the project will include conversion of hotel rooms into 72 rental units which will include individual bathrooms, small kitchenettes, and a closet. As part of the rehabilitation work, the developer intends to restore and replicate features of the building's brick envelope that are in disrepair and provide a new structure within the existing envelope that improves the acoustic, thermal, and structural performance of the building to the level of today's standards. A total of 71 units (except the manager's unit) will be reserved for homeless households, including chronically homeless.


### **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund.


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