

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 13, 2013

CAO File No. 0220-00540-1057
Council File No. 13-0303
Council District: 1, 9, 13, 14

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MH
RW*

Reference: Transmittal from the Housing and Community Investment Department dated August 6, 2013; referred by the Mayor August 7, 2013; received by the City Administrative Officer on August 8, 2013

Subject: **REQUEST FOR APPROVAL TO ISSUE LETTERS OF FUNDING COMMITMENT FOR PROJECTS SELECTED THROUGH ROUND TWO OF THE 2013 AFFORDABLE HOUSING TRUST FUND NOTICE OF FUNDING AVAILABILITY AND VARIOUS ACTIONS**

SUMMARY

The Los Angeles Housing and Community Investment Department (HCID), formerly the Los Angeles Housing Department, requests approval to: 1) issue Letters of Funding Commitment for seven affordable housing projects selected through Round 2 of the 2013 Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA); and, 2) execute an Assignment and Assumption Agreement with the Community Redevelopment Agency of Los Angeles, a Designated Local Authority (CRA/LA-DLA), for the transfer of the \$14.7 million Crenshaw/Mid-City Corridors Proposition 1C Infill Infrastructure Grant.

Letters of Commitment

The HCID has authority to issue up to three NOFAs per year (C.F. 13-0303). The 2013 Round 1 NOFA is for permanent supportive housing projects for the chronically homeless. On June 28, 2013, the Council and Mayor approved Letters of Funding Commitment for five permanent supportive housing projects for the 2013 Round 1 NOFA, which is supported in part by the General Fund. Concurrently with the 2013 Round 1 NOFA, HCID issued a Call for Projects to create a two-year pipeline of projects which initially will be comprised of former CRA/LA projects in various stages of development. The 2013 Round 2 NOFA proposals are due to HCID August 19, 2013 and recommendations will be presented to Council in October 2013.

The Letters of Funding Commitment requested by HCID in the August 6, 2013 transmittal are not part of the pipeline projects but are the result of one-time funding that was recently made available through the State of California Housing and Community Development Department (HCD) for

affordable housing projects or for infrastructure necessary to develop higher density uses near qualifying transit stations or to facilitate connections between proposed developments and corresponding transit stations. The initial deadline was July 31, 2013, but an extension by HCD to August 14, 2013 allowed HCID to participate in the HCD Transit Oriented District (TOD) funding. On July 5, 2013, HCID announced the availability of \$10 million from AHTF to support projects that would meet the HCD TOD funding requirements. Applications were due to HCID on July 22, 2013.

A total of nine applications were received requesting \$27.7 million in funding. The applications were reviewed and scored using criteria and guidelines approved by the Mayor and Council as outlined in the NOFA. Attachment 1 of the HCID transmittal summarizes the scoring for all of the applicants. They are ranked based on the percentage of funding requested from HCID to complete the project; namely, the lower the percentage required, the higher the HCID ranking. The HCID calculated the funds needed by each project and subtracted that amount from the \$10 million beginning balance. Using this methodology, HCID can fund the first seven of the nine applications. The last two exceed the \$10 million total.

The developers of the projects will next apply to HCD for approval and funding. It is possible that HCD will not fund all seven of the projects, in which case the unused HCID AHTF funds will remain available for use on other projects. The HCID requests that funding for the HCD-approved TOD projects be provided first from prior-year uncommitted HOME funds then AHTF funds.

Assignment and Assumption Agreement

In 2006, California voters approved Proposition 1C, which funded and created several new housing-related grant programs. One of the programs was the Proposition 1C Infill and Infrastructure Area Grant (IIG). The former CRA/LA submitted a grant application for the contiguous portions of the Mid-City Recovery Redevelopment Project Area and the Crenshaw Amended Redevelopment Project Area, which served as the Qualifying Infill Area (QIA) under the definitions of the IIG program. To meet the grant obligations regarding new affordable housing units, various housing developments located within the QIA were included in the IIG's Project Scope of Work including Rosa Parks Villas, Buckingham Seniors Phases I and II, and Jefferson Boulevard and 5th Avenue Apartments.

In 2009, the Crenshaw/Mid-City Corridors Infill and Infrastructure Area Project (Project) received an award of \$14,677,920. The Project consists of public infrastructure improvements for eligible housing developments including demolition, grading, utilities, parking structures and off-site improvements totaling approximately \$7 million. The remaining \$7 million of the grant is allocated for public improvements in target areas identified within the Project, such as sidewalk and crosswalk repairs and modifications, Americans with Disability Act (ADA) improvements, and pedestrian shelters. The HCID has been in negotiations with the Metropolitan Transportation Authority (Metro) regarding the public improvements, which will be incorporated into Metro's engineering plans for the Crenshaw/LAX Transit Corridor, also known as the Blue Line extension.

Subsequent to the grant award, the CRA/LA was dissolved and the CRA/LA-DLA was formed to serve as the successor agency of the former CRA/LA. All property and assets of the CRA/LA, including the rights to the grant, were transferred to the control of the CRA/LA-DLA. To preserve the

value of the grant to fund the Project's infrastructure improvements and because of the need for ongoing, active management of the grant through June 30, 2017, it was mutually agreed that the CRA/LA-DLA would assign, and HCID would assume, the rights, title, interests and obligations to the grant. In addition, CRA/LA-DLA was mandated by the State to wind down and conclude the obligations of the former CRA/LA.

On June 21, 2012 and July 12, 2012, respectively, the Governing Board and the Oversight Board of the CRA/LA-DLA authorized the assignment of the grant. The Mayor and Council are the final approval needed to effectuate the transfer of the City's assumption of the grant. On July 15, 2013, the CRA/LA-DLA transmitted a correspondence to HCID stating that unless the City took appropriate action to proceed with the assignment of the grant, the CRA/LA-DLA would notify HCD on August 15, 2013 that a final payment to the developer of the Jefferson Boulevard and 5th Avenue project would be the last activity by the CRA/LA-DLA on the grant and any remaining grant proceeds would be available for reprogramming by HCD.

The HCID therefore requests authorization to effectuate the transfer by executing the Assignment and Assumption Agreement for the Crenshaw/Mid-City Corridors Infill Infrastructure Grant, which is Attachment 4 of the HCIC August 6, 2013 transmittal. Upon execution of the Assignment and Assumption Agreement, HCID will conclude negotiations for an MOU between the City of Los Angeles and Metro in the amount of \$7.7 million for public improvements in the Project's targeted areas. The Assignment and Assumption Agreement has been reviewed and approved by Richards Watson & Gershon, the City's outside legal counsel on redevelopment dissolution. The HCID will present the MOU to the Mayor and Council for approval once the document is finalized. This document will also include the proposed Project budget, scope of work, schedule and related activities. In addition to Metro, HCID is working with the Department of Public Works, Department of Transportation, and the Planning Department. It is anticipated that the MOU will be presented to Council by October 2013.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:
 - a. Issue a Letter of Funding Commitment from the Affordable Housing Trust Fund (AHTF) for each of the projects identified in Table 1 below, in the amounts identified, subject to the following conditions: 1) that the project sponsors, except those whose projects are otherwise fully funded, apply to the proposed leveraging source in the next available funding round; and, 2) that disbursement take place after sponsors receive the full amount requested therein;

**TABLE 1 – RECOMMENDED AHTF COMMITMENTS FOR
TRANSIT-ORIENTED DEVELOPMENTS**

Project Name	CD	Type	Units	AHTF Commitment
1 st and Soto TOD Apartments	14	Family	49	\$959,600
5400 Hollywood Family Apartments	13	Family	40	650,000
Highland Park Transit Village	1	Family	60	1,725,083
Marmion Way Apartments	1	Veterans/Family	49	1,533,928
The Paseo at Californian	1	Family	52	2,200,000
Santa Cecilia Apartments	14	Family	80	2,231,389
Washington 722 TOD	9	Family	55	700,000
TOTAL			385	\$10,000,000

- b. Negotiate and execute an acquisition/predevelopment/construction/permanent loan agreement for each project identified in Table 1 that receives a funding award from its respective leveraging source, subject to the satisfaction of all conditions and criteria stated in the AHTF application, the HCID August 6, 2013 transmittal, and the HCID Letter of Funding Commitment, subject to approval by the City Attorney as to form;
- c. Execute subordination agreements for each of the projects in Table 1 above, wherein the City loan and regulatory agreements are subordinated to their respective conventional construction and permanent loans;
- d. Execute agreements allowing the transfer to and/or execution of the City loans by a limited partnership, to enable admittance of tax credit investors;
- e. Apply for an infrastructure grant from the State of California Housing and Community Development Department (HCD) Transit Oriented Development (TOD) Housing Program as a co-applicant with each of the project sponsors for the seven projects listed in Table 1 above, as applicable;
- f. Enter into negotiations with HCD, if necessary, to finalize the grant budgets, proposed accomplishments, or other related details of the grant agreements;
- g. Execute grant agreements, any amendments thereto, and any other documents necessary between HCD and the City of Los Angeles for the disbursement of the TOD grant funds;
- h. Negotiate and execute TOD pre-development/construction/permanent loan agreements, separately or as part of the AHTF loan agreements, with the sponsor of each of the projects listed in Table 1 of this report, on the condition that the sponsor successfully obtains a TOD loan, and subject to approval of the City Attorney as to form;

- i. Accept the grants and receive deposits and/or reimbursements from the TOD Program in amounts to be determined, and deposit the funds into the Funds and Accounts to be established for each project;
- j. Prepare Controller's instructions and any necessary technical adjustments, consistent with Mayor and Council actions on these matters, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions;
- k. Use uncommitted funds from prior year accounts within Fund No. 561 HOME Investment Partnerships Program before current year funds and accounts to close out old accounts for transactions related to this report;
- l. Execute the Assignment and Assumption Agreement which is attached to the HCID transmittal for the Crenshaw/Mid-City Corridors Infill Infrastructure Grant between the City of Los Angeles and the CRA/LA-DLA, in the amount of \$14,677,920.

2. Authorize the City Controller to:

- a. Allocate and expend funds from the following funds and accounts for the AHTF 2013 Round 2 projects below:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
1 st and Soto TOD Apts.	561/43	43C212	AHTF	\$959,600
5400 Hollywood Family Apts.	561/43	43C212	AHTF	650,000
Highland Park Transit Village	561/43	43C212	AHTF	1,725,083
Marmion Way Apartments	561/43	43C212	AHTF	1,533,928
The Paseo at Californian	561/43	43C212	AHTF	773,621
	561/43	43F212	AHTF	<u>1,426,379</u>
			Subtotal:	\$2,200,000
Santa Cecilia Apartments	561/43	43F212	AHTF	\$1,073,621.00
	561/43	43G212	AHTF	842,425.37
	561/43	43H212	AHTF	1,529.91
	561/43	43J007	AHTF	<u>313,812.72</u>
			Subtotal:	\$2,231,389.00
Washington 722 TOD	561/43	43J007	AHTF	\$700,000
TOTAL				\$10,000,000

- b. Establish a new interest bearing Fund No. XXX Crenshaw/Mid-City Corridors Prop 1C-CRA for receipts and disbursement of the housing proceeds from Crenshaw/Mid-City Corridors Prop 1C-CRA and recognize receipts in the amount of \$14,677,920 from the Crenshaw/Mid-City Corridors Proposition 1C Infill Infrastructure Grant to be deposited in the new fund;
- c. Establish a new account and appropriate within Crenshaw/Mid-City Corridors Prop 1C-CRA Fund No. XXX in the amount of \$14,677,920:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
43K009	Crenshaw/Mid-City Corridors Prop 1C-CRA	\$14,677,920

- d. Expend funds, not to exceed \$14,677,920, upon proper written demand from the General Manager, HCIDLA, or designee; and,

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. If the recommendations in this report are approved, the Housing and Community Investment Department (HCID), formerly the Los Angeles Housing Department, will provide Letters of Funding Agreement for seven affordable housing projects for up to \$10 million. In addition, HCID will receive a grant in the amount of \$14,677,920 from the former Community Redevelopment Agency of Los Angeles (CRA/LA-DLA) to support affordable housing projects that are in the process of construction and to provide infrastructure improvements near those projects. The recommendations comply with City Financial Policies in that one-time funding from the HOME Investment Partnerships Program Fund No. 561 and from the CRA-LA/DLA would be used for one-time purposes

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