

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 06/07/2016

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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June 6, 2016

Council File:	15-0220	
Council District:	CD 9	
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The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR APPROVAL TO SELECT WARD ECONOMIC DEVELOPMENT CORPORATION AND THE INTEGRAL GROUP AS DEVELOPER FOR REHABILITATION OF CASA DE ROSAS, AN AFFORDABLE HOUSING PROJECT AND, AUTHORITY TO EXECUTE VARIOUS ACTIONS RELATED TO THE DISPOSITION AND DEVELOPMENT OF THE PROJECT**

**SUMMARY**

The Los Angeles Housing + Community Investment Department (HCDILA) requests approval of the recommendations contained in this report related to the disposition and development of Casa De Rosas, located at 2600 S. Hoover Street, Los Angeles, California 90007 for use as affordable housing for veterans. The property was transferred to HCIDLA from the Community Redevelopment Agency (CRA/LA) to maximize public land for affordable housing. In March 2015, the Mayor and City Council authorized HCIDLA to release a Request for Proposal (RFP) for the selection of an affordable housing developer for the property commonly referred to as Casa De Rosas, located in Council District 9 (C.F. 15-0220).

On December 7, 2015, HCIDLA released a RFP for the selection of a developer for the Casa De Rosas project. HCIDLA received reviewed and scored a total of four RFP responses for the project. Ward Economic Development Corporation with The Integral Group (WEDC/Integral) received the highest score, 87.84 out of 100 possible points, ranking WEDC/Integral number one out of the four Proposers. As a result of WEDC/Integral receiving the highest RFP score and due to the positive history of both partners in affordable housing, HCIDLA requests approval to select WEDC/Integral as the developer of

the Casa De Rosas project. HCIDLA also requests authority related to the disposition and development of the project, specifically, authority to execute an Exclusive Negotiating Agreement (ENA), authority to execute a Disposition and Development Agreement (DDA), authority for a sales ordinance, if applicable, and authority to include WEDC/Integral into HCIDLA's Managed Pipeline upon execution of the DDA.

## **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 select WEDC/Integral as the developer of the Casa De Rosas project, an affordable housing development for low income and homeless veterans;
  - B. Authorize the HCIDLA General Manager, or designee, to negotiate and execute an Exclusive Negotiation Agreement (ENA) with WEDC/Integral, subject to the approval of the City Attorney as to form;
  - C. Authorize the HCIDLA General Manager, or designee, to negotiate and execute a Disposition and Development Agreement (DDA) with WEDC/Integral, subject to the approval of the City Attorney as to form;
  - D. Authorize the HCIDLA General Manager, or designee, to request and collaborate with the City Attorney to prepare an ordinance for the sale of the property, if applicable; and
  - E. Authorize the HCIDLA General Manager, or designee, to include WEDC/Integral into HCIDLA's Managed Pipeline upon execution of the DDA.

## **BACKGROUND**

A former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) property, Casa De Rosas was transferred to the City in June 2013 via a quit claim deed as one of 62 real property assets (C.F. 12-0049). Unoccupied for many years, Casa De Rosas fell into severe disrepair compromising the historic nature and value of the property. Concerned by further deterioration, HCIDLA selected this project for development and began the process for selection of a developer for the restoration and evolution of Casa De Rosas into affordable housing for homeless veterans. Simultaneously, the California Housing and Community Development Department (HCD) notified HCIDLA of pending foreclosure on the property due to non-compliance of an HCD loan totaling approximately \$1.4 million (including delinquency fees), and requested that HCIDLA transfer the property to an affordable housing developer in a timely manner. To prevent deterioration of the property and possible foreclosure by HCD, HCIDLA prioritized the project for development.

### **Development Priority Approach**

HCIDLA adopted a priority approach to facilitate development of the large group of projects, with the goal of preventing a financial and administrative congestion for HCIDLA administration. Meeting a set order of priorities, and in a methodical and calculated approach, HCIDLA staff identified an initial set of properties to be released through an RFP process. Casa De Rosas was identified as one of the properties to benefit from immediate development.

HCIDLA named three issues that would raise a property to the priority list: the first, if a property had been identified as vulnerable of loan default that could result in foreclosure; the second, former CRA/LA housing assets not currently in development or scheduled for development but subject to the California Department of Finance's mandatory development activity deadline of March 27, 2018; and last, potential veteran housing projects with a likelihood for receiving funding from the Veterans Housing and Homeless Prevention Bond Act of 2014.

HCIDLA staff deemed Casa De Rosas suitable for redevelopment as Permanent Supportive Housing for veterans and/or homeless veterans and their families. HCIDLA staff consequently selected this project as a candidate for the Affordable Housing RFP project.

### **Casa De Rosas**

Located in Council District 9, at 2600 South Hoover Street, Casa De Rosas is on the corner of Adams Boulevard and Hoover Street in the West Adams District of Los Angeles. CRA/LA initially acquired the Casa De Rosas property through foreclosure in 2009 from Casa De Rosas, Inc., a community non-profit. Prior to the transfer of the housing asset to HCIDLA, CRA/LA was in the process of redeveloping Casa De Rosas as Permanent Supportive Housing for 41 very-low income, homeless households.

The property consists of four buildings, three of which are of historical value. Originally constructed and designed in 1895 by Architect Sumner P. Hunt, Casa De Rosas architecture represents both the Spanish and Mission Revival styles. The property, in total, encompasses approximately 39,576 square feet of land. Currently, the property is listed on the National Registry of Historic Places, the California Register of Historic Resources and is a City of Los Angeles Historic Cultural Monument.

As it exists today, the property is vacant and extremely vulnerable to squatters and vandalism. In addition, the delinquent HCD loan totaling approximately \$1.4 million (including delinquency fees) carries a 20 year housing covenant. For these reasons, immediate action towards release of the RFP and future redevelopment was necessary in order to prevent foreclosure by HCD.

Casa De Rosas is located one-half mile from the Vermont-Adams Rapid Transit Bus Station, a major transit corridor, making redevelopment of this property consistent with the City's policy objective of providing affordable housing in Transit Oriented Districts (TOD).

### **REQUEST FOR PROPOSALS SUMMARY**

On March 3, 2015, the City Council and the Mayor authorized immediate issuance of the RFP for the development of the Casa De Rosas project (C.F. 15-0220). The RFP was released on December 7, 2015

and publicized on the Los Angeles Business Assistance Virtual Network (LABAVN) and through emails sent to the affordable housing developer community. HCIDLA received four complete development proposals by the submission deadline of February 1, 2016 from the following developer teams (Proposers):

1. Clifford Beers Housing Inc. with Coalition for Responsible Community Development;
2. Domus Development with Kedren Community Health Center, Inc.;
3. Retirement Housing Foundation with Impact Development Group; and
4. Ward Economic Development Corporation with The Integral Group.

Through the RFP process, HCIDLA desired to select a qualified, experienced and financially capable developer to further the City’s housing goal of providing low-income housing consistent with the City’s five-year, Transit Oriented Development, Consolidated Plan.

Specifically, the purpose of the Casa De Rosas RFP was to select a developer that will:

1. Coordinate the adaptive re-use of the property into a minimum of 30 Permanent Affordable Housing units, serving individuals and/or families earning at or below 60% of AMI;
2. Target individuals who are veterans and/or families that have family members that are veterans;
3. Maintain long-term financial feasibility for the length of the regulatory period and beyond;
4. Facilitate construction and long-term employment opportunities to community residents;
5. Program community services consistent with community needs; and
6. Restore the historic elements of the Property.

**Summary of Evaluation Criteria and Point Allocation**

The table below outlines the evaluation criteria and point allocation of the Casa De Rosas RFP.

<b>QUALIFICATIONS CRITERIA</b>	<b>MAXIMUM POINTS</b>
Relevant Project Experience and Track Record	15
Financial Capacity	9
Organizational Structure and Project Management	20
<b>Subtotal</b>	<b>44</b>
<b>PROPOSAL CRITERIA</b>	
Development Concept	12
Project Design	16
Property Management, Supportive Services and Programming Plans	11
Project Feasibility	12
Community Benefits	5
<b>Subtotal</b>	<b>56</b>
<b>OVERALL PROPOSAL – GRAND TOTAL</b>	
	<b>100</b>

## **SCORING METHODOLOGY**

The RFP scoring process involved the formation of a Selection Committee, consisting of 14 HCIDLA staff members holding classifications that include finance, development, architecture, construction and asset management. The 14 staff members were subdivided into three specialty evaluation teams: Finance, Asset Management and Architectural Review/Construction. Each member of the committee had the opportunity to review the submitted proposals and score them independently. The subgroups then met to review and tabulate the scores prior to the Selection Committee meeting as a whole to discuss and formulate a consensus score for each Proposer team. The initial Selection Committee meeting, subgroup meetings and final Selection Committee review meeting took place between February and March 2016. The final Selection Committee consensus meeting occurred on March 24, 2016.

In scoring the Proposer team qualifications, HCIDLA staff considered previous project experience, financial capacity, stability and organizational structure of the partnership. Emphasis was placed on the proposed project concept as affordable veteran housing and how the Proposer team addressed the specialized needs of veterans. Other review elements included unit mix and affordability levels, availability of parking and feasibility of the proposed financing structure.

## **SELECTION COMMITTEE DECISION**

Each member of the Selection Committee reviewed and evaluated the proposals individually and as a group. In addition, each member of the Selection Committee participated in presentations by the Proposers. Finally, each member of the Selection Committee thoroughly discussed the proposals using the criteria outlined in the Casa De Rosas RFP. Individual member scores were then averaged to reach the final proposal score. At the final Selection Committee review meeting, all 14 members concurred with the final ranking of the four proposals.

The final ranking by the Selection Committee is detailed in the below table:

<b>PROPOSER</b>	<b>SCORE</b>	<b>RANK</b>
Ward Economic Development Corporation & The Integral Group	87.84	1
Clifford Beers & Coalition for Responsible Community Development	83.29	2
Domus Development & Kedren Health Center, Inc.	72.93	3
Retirement Housing Foundation & Impact Development	68.68	4

On March 30, 2016, HCIDLA notified the four Proposers via mail and email of the results of their Casa De Rosas RFP submission score. The HCIDLA notification letter offered the Proposers the opportunity to appeal the review process used by HCIDLA in making its recommendations and gave each Proposer seven (7) business days from the date of the notification letter, or April 8, 2016 by 5:00 PM, to file an appeal. Appeals from all four Proposers were received within the time frame specified in the notification letter.

## **APPEAL PROCESS**

To review the appeals, an Appeals Committee of HCIDLA staff **not** involved in the initial evaluation process was formed. The Appeals Committee consists of HCIDLA staff holding professional-level

positions in housing finance and asset management. The Appeals Committee met on several occasions between April and May 2016 and reviewed detailed elements of the Casa De Rosas RFP scoring process and factors leading to the Selection Committee’s initial scoring results.

The Appeals Committee review concluded that two revisions needed to be made: 1) regarding a mathematical error made during tabulation of the score of a Proposer, and 2) to increase another Proposer’s score by one point. The resulting scoring adjustments made by the Appeals Committee were minor and did not necessitate a change to the Selection Committee’s original ranking of the four Proposers. HCIDLA’s Appeals Committee revised the scoring as follows:

	<b>RHF/ IMPACT</b>	<b>DOMUS/ KEDREN</b>	<b>CLIFFORD BEERS/CRCD</b>	<b>WEDC/ INTEGRAL</b>
Previous Score	68.68	72.93	83.29	87.84
Revised Score	68.68	73.04	83.89	87.84

Ranking of each Proposer by the Appeals Committee is detailed in the below table. The final score for each Proposer team reflects consensus of the scores by the Appeals Committee members.

<b>PROPOSER</b>	<b>SCORE</b>	<b>RANK</b>
Ward Economic Development Corporation & The Integral Group	87.84	1
Clifford Beers & Coalition for Responsible Community Development	83.89	2
Domus Development & Kedren Health Center, Inc.	73.04	3
Retirement Housing Foundation & Impact Development	68.68	4

Therefore, based upon the score of 87.84 out of a possible 100 maximum points, HCIDLA recommends **Ward Economic Development Corporation with The Integral Group** as the selected developer of the Casa De Rosas project.

A summary of the proposal made by WEDC/Integral can be found in Exhibit A. The summary contains information such as developer background, team member information, affordability mix, and qualification/proposal analysis. Please note that the information presented in the summary was taken from the application submitted by WEDC/Integral.

**SUMMARY OF RFP TIMELINE**

Listed below is a summary of the RFP timeline:

<b>RFP TIMELINE</b>	
Authority to release RFP	March 3, 2015
Modifications to RFP	March to December 2015
Release of RFP	December 7, 2015
Bidder’s Conference	December 16, 2015
Applications due	February 1, 2016
Developer interviews	February 29, 2016
Initial scores released	March 30, 2016
Appeals received	April 8, 2016

Appeals reviewed	April 26, 2016 to May 26, 2016
Appeals Committee decisions	May 26, 2016
Recommendations released to Mayor	June 2016
Mayor and City Council approval	July 2016
Execution of ENA	August 2016

A sample ENA can be found in Exhibit B.

**FISCAL IMPACT STATEMENT**

The Total Development Cost (TDC) for the Casa De Rosas project, as proposed by WEDC/Integral is \$13,813,273. WEDC/Integral intends on seeking \$9.3 million via a combination of 9% LIHTC/Historic/State equity financing and \$2,688,423 from HCD Veteran funds (VHHP). WEDC/Integral values the land at \$4,490,415 and will work with HCIDLA to complete the appropriate appraisals and negotiate a seller carryback loan (HOME loan) encompassing the fair market purchase price of the land, and the HCD loan encumbrance. WEDC/Integral will seek additional outside funding and have indicated that no other additional HCIDLA funds will be requested.

The proposed actions regarding the selection of a developer and disposition/development of the Casa De Rosas project will not have an impact on the General Fund.




Prepared by:

  
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Reviewed by:

  
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Financial Development Officer I

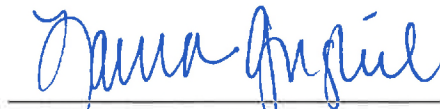
Reviewed by:

  
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Director, Housing Strategies & Services Division

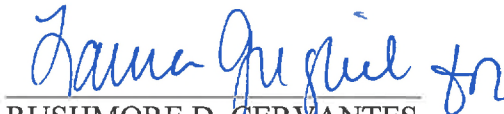
Reviewed by:

  
HELMI HISSERICH  
Assistant General Manager

Reviewed by:

  
LAURA K. GUGLIELMO  
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Approved by:

  
RUSHMORE D. CERVANTES  
General Manager

**LIST OF EXHIBITS**

EXHIBIT A            WARD ECONOMIC DEVELOPMENT CORPORATION WITH THE  
INTEGRAL GROUP CASA DE ROSAS RFP RESPONSE SUMMARY

EXHIBIT B            SAMPLE OF AN EXCLUSIVE NEGOTIATION AGREEMENT

## **EXHIBIT A**

### **WARD ECONOMIC DEVELOPMENT CORPORATION WITH THE INTEGRAL GROUP CASA DE ROSAS RFP RESPONSE SUMMARY**

#### **1. Development Team**

- Developer: Ward Economic Development Corp., Jackie Dupont-Walker, Executive Director (Co-developer and Managing General Partner), and Integral Development, Vicki Lundy Wilborn, President (Co-developer)
- Architect: M2A, Thomas Michali and Barry Milofsky, Principal Partners
- Preservation Consultant: GPA Consulting, Teresa Grimes, Principal Architectural Historian
- General Contractor: Curtom-Dunsmuir, Brenda Curry and Ronnie Jones, Principal Partners
- Property Management: TELACU Property Management

#### **2. Developer's Background**

In business for almost 30 years, Ward Economic Development Corp. (WEDC) has focused its attention on affordable housing. The company has been involved in several affordable projects in the City, the most recent is the Rosa Parks Villas, 60 units of affordable housing and Ward Villas, 160 units of senior housing in the immediate vicinity of the Casa De Rosas project. WEDC is a leading community faith-based housing developer in Los Angeles and has approximately 281 units currently in use today. In addition, WEDC has 23 years of experience housing veterans, including homeless veterans and providing targeted services to meet the specific needs of veterans of all ages.

In business since 1993, Integral Development (Integral), has successfully partnered with cities, housing authorities, redevelopment agencies and other public/private entities on over 50 mixed-income projects that emphasize affordable and responsible solutions for urban renewal projects. Integral's in-house team has successfully built affordable, historic and sustainable rental housing in over 15 cities. Integral is familiar with complex financial structures, and has requested and received LIHTC and other tax incentivized capital.

#### **3. Development Proposal**

##### **Development Plan**

WEDC and Integral have proposed a "Campus" style development of approximately 34 units of Permanent Supportive Housing for Veterans and Single Parenting Veterans with children up to the age of five who have experienced homelessness. The units will be filled utilizing the Coordinated Entry System (CES), targeting women veterans with young children and/or individuals with high acuity levels. Of the units stipulated, 14 will be designated as studios, 20 will be designated as one-bedroom units and one will be a Managers unit (see chart below). As part of the Campus style of development, the team has included on-site child care and a culinary-arts facility and training.

### Affordability Mix

TYPE OF UNIT/SIZE	NUMBER OF UNITS	AMI
Studio / 300 Sq. Ft	14	30 – 40%
One Bedroom / 500 Sq. Ft.	20	40 – 50%
Manger's Unit (2 Bedroom) / 850 Sq. Ft.	1	60%

\* All units will be affordable at 60% AMI or below, with 55 year restricted covenant.

#### Supportive Services Plan

The Supportive Services Plan will be administered by WEDC in collaboration with a network of community organizations including LA Veterans Collaboration, LA County Department of Military and Veterans Affairs, LA Trade Technical College, USC School of Social Work, ARP Veteran's Affairs Department of California, VFW Posts 578 and 639, LA County Mental Health Services and LA Metro. Services will be provided on-site, seven days a week during working hours. In addition, an after-hours emergency response system will be put in place as a safety precaution. The following are types of services that will be made available to all residents: Tenant Need Assessment; Case Management; Integrated, Preventive and Mental Health Care; Substance Abuse Treatment; Wellness Education; Life Skills Education and Training; Community Building; Green Education; Transportation Planning; and Eviction Prevention.

#### TELACU Management Team

WEDC/Integral has chosen TELACU Property Management Inc. (TPM), as the management entity for the Casa De Rosas project. Recognized as a leader in the industry, and specializing in Affordable Housing to the elderly, the disabled, families and those with special needs, WEDC/Integral anticipates a high level of customer service and professionalism to be provided by TPM.

#### **4. Review And Analysis Of Developer Qualifications**

WEDC and Integral have extensive experience and knowledge with affordable multi-family housing projects. WEDC owns ten properties, three of which were developed in partnership with the City of Los Angeles. Over the last five years, WEDC has leveraged over \$12,000,000 in non-City funding resources (63% of their TDC). The following table lists WEDC's recently completed 100% affordable, local housing projects:

<b>WARD ECONOMIC DEVELOPMENT CORPORATION</b>			
<b>PROPERTY (100% AFFORDABLE)</b>	<b>NO. OF AFFORDABLE UNITS</b>	<b>FINANCING SOURCES</b>	<b>COMPLETION DATE</b>
Rosa Parks Villas	60	LIHTC - \$10,000,000	2011
Tuelyn Terrace	91	LMIHF, CRA Bond	1992
Ward Villas	120	LIHTC - \$1,026,270	1992

Integral's team, based in the State of Georgia, secured over \$10,000,000 in non-city funding from the Federal Government and the State of Georgia. Integral's newly operational California office will be spearheaded by Ms. Sotelo who has a 25 year track record of experience in finance and development of affordable housing, including projects within the Los Angeles area valued at over \$240 million. The following table lists Integral's recently completed 100% affordable housing projects:

<b>THE INTEGRAL GROUP</b>			
<b>PROPERTY (100% AFFORDABLE)</b>	<b>NO. OF AFFORDABLE UNITS</b>	<b>FINANCING SOURCES</b>	<b>COMPLETION DATE</b>
Oasis at 30 <sup>th</sup> (Indianapolis)	124	Private Bonds, LISC Loan, Federal Equity	August 2015
Cannery Place (Sacramento)	180	TE Bond, 4% LIHTC	October 2014
Veranda at Scholars Landing (Atlanta)	100	9% LIHTC	March 2013
Oasis at Scholars Landing (Atlanta)	60	9% LIHTC, Grant	March 2013
Veranda at Auburn Pointe II (Atlanta)	98	ARRA Exchange Funds (Tax Credit)	June 2011

## **EXHIBIT B**

### **Sample of HCIDLA Exclusive Negotiation Agreement**

#### **Exclusive Negotiation Agreement**

This AGREEMENT is made as of the Effective Date (defined in Section 14 below) by and between \_\_\_\_\_ (DEVELOPER) and the Los Angeles Housing and Community Investment Department (HCIDLA).

#### **RECITALS**

- A. The City of Los Angeles currently owns the property consisting of \_\_\_\_ ( ) parcels located near the intersection of \_\_\_\_\_ and \_\_\_\_\_ in the City of Los Angeles, as more particularly described on the legal description attached hereto as Exhibit “A” ( “Site”) consisting of Parcel \_\_\_\_, at address \_\_\_\_\_, Assessor Parcel Number: \_\_\_\_\_, containing approximately \_\_\_\_\_ square feet and Parcel \_\_\_\_, at address \_\_\_\_\_, Assessor Parcel Number: \_\_\_\_\_, containing approximately \_\_\_\_\_ square feet. Parcel \_\_\_\_, at address \_\_\_\_\_, Assessor Parcel Number: \_\_\_\_\_, containing approximately \_\_\_\_\_ square feet.
- B. In response to a Request for Qualifications and Proposals (RFQ) issued by HCIDLA, the DEVELOPER has submitted qualifications for a development project (“Project”) at this Site (DEVELOPER’s Proposal).
- C. The qualifications submitted by DEVELOPER best support the type of affordable housing development conceptually envisioned by the City of Los Angeles.
- D. On \_\_\_\_\_, 2016 the Los Angeles City Council approved (Council File: \_\_\_\_\_) the selection of the DEVELOPER for the purpose of creating, in conjunction with City and community stakeholders, a full development plan for the project leading to negotiating the terms of a Development and Disposition Agreement (“DDA”) and/or ground lease (“Ground Lease”) pertaining to the Site under a 360 day Exclusive Negotiation Agreement (“Agreement”).
- E. Together, HCIDLA and the DEVELOPER (collectively referred to as “Parties”, or if referred to in the singular form “Party”) desire to negotiate exclusively for the development of the Project at the Site.

The Parties agree to negotiate exclusively and in good faith to enter into a DDA and/or a Ground Lease upon the following terms and conditions.

#### **1. Agreement to Negotiate Exclusively: Good Faith Negotiations**

HCIDLA agrees that, after competitive bidding and selection process outlined above, during the Negotiation Period (as defined in Section 2 below) and provided that DEVELOPER is not in default of its obligations under this Agreement (subject to reasonable notice and opportunity to cure such default), HCIDLA shall negotiate exclusively and in good faith with DEVELOPER, with respect to a DDA and/or Ground Lease to be entered into between HCIDLA and DEVELOPER concerning the rights and obligations of each respective Party concerning the development of the Site. During the negotiation

period, HCIDLA shall not solicit or entertain offers or proposals from other third parties concerning the Site. DEVELOPER acknowledges, however, that HCIDLA may, from time to time, be contacted by other developers respecting the Site and that such contact is expressly permitted so long as HCIDLA initiates or furthers the contact and HCIDLA indicates to such other developers that HCIDLA has executed this Agreement with DEVELOPER and that HCIDLA is unable to: (1) discuss anything concerning the Project; (2) discuss anything concerning these negotiations; (3) entertain any other offer or proposals; or (4) negotiate with any other developer until this Agreement expires or is terminated, as provided in Section 2 below.

The Parties agree, in consideration of this Agreement, to negotiate in good faith with each other with respect to the terms and conditions as set forth in the RFQ and the proposed project to be included in the DDA and/or Ground Lease and to cooperate in the preparation thereof. The Parties shall provide each other with any information regarding the Site or Project that may be reasonably requested by any other Party.

## **2. Period of Negotiation**

The Parties agree to negotiate in good faith for a period of 360 days from the Effective Date, as defined in Section 14 hereof (the "Negotiation Period"). If the Parties have not agreed upon the form of a draft DDA and/or the Ground Lease to be delivered to The City Council and Mayor by such date, then this Agreement shall automatically terminate provided, however, that if prior to the expiration of the Negotiation Period, the Parties have not agreed upon the form of a draft DDA and/or Ground Lease satisfactory to the Parties to be delivered to The City Council and Mayor, then the Parties may mutually agree to extend the term of this Agreement for an additional period of up to 90 days. If the Parties cannot agree upon such an extension, this Agreement shall automatically terminate.

The Negotiation Period may be extended only by written agreement between the Parties and HCIDLA shall have the right to thereafter develop or dispose of the Site as it shall determine appropriate in its sole and absolute discretion.

This Agreement may also be terminated if the Parties agree in writing that a successful consummation of the negotiations is impossible.

## **3. Test and Surveys**

During the Negotiation Period, DEVELOPER shall conduct such tests, surveys, and other analyses as the DEVELOPER deems necessary to determine the feasibility of designing, constructing, leasing and financing the Project and shall complete such tests, surveys, and other analyses promptly within the Negotiation Period. For these purposes, HCIDLA shall provide to DEVELOPER, its agents and/or representatives, the right to enter onto the Site and to conduct such tests, surveys, and other procedures ("Tests"). DEVELOPER shall take all necessary effort to ensure that such Tests shall not unreasonably alter the condition of the Site, or other HCIDLA activities on the Site. DEVELOPER shall indemnify and hold harmless the City of Los Angeles ("City"), and its departments (HCIDLA), its Boards, Officers, agents, employees, assigns, and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including DEVELOPER's and any contractor's and subcontractor's employees and agents, or damage or destruction of any property of any property of the Parties hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to any such entry on the Site by DEVELOPER, its agents or

representatives, provided that such indemnity shall not relate to existing Site conditions that differ substantially from existing plans and drawings, and could not have been discovered by reasonable visual inspection or reasonable and typical non-intrusive tests prior to any intrusive testing. DEVELOPER shall present HCIDLA with evidence of a general liability insurance policy in an amount of at least \$1 million, naming the City of Los Angeles as an additional insured. The insurance policy shall cover all liability and property damage arising from DEVELOPER's employees' presence on the Site during Tests. Any destruction or alteration of site features or surfaces resulting from the tests shall be fully replaced at the full expense of the Developer within ten (10) business days.

#### 4. Essential Terms

A. **DDA.** DEVELOPER's rights and obligations shall be specifically set-forth in the DDA and shall include without limitation all of the following:

- 1) Project Description;
- 2) Scope of Development;
- 3) DEVELOPER Site Inspection rights;
- 4) The financial relationships between the parties
- 5) Method of land transfer and ownership rights over specific Improvements
- 6) Design and construction of the Project, including HCIDLA review, approval, and inspection rights, and DEVELOPER assurances;
- 7) Deposits and Costs Reimbursements;
- 8) Schedules of Performance, including effect of change;
- 9) Restrictions on Transfers;
- 10) Covenants to enter into ground lease and other required agreements;
- 11) Escrow provisions, including title, deliveries to escrow, conditions to close of escrow and delivery of Site, parts thereof;
- 12) Insurance and Indemnity;
- 13) Defaults, remedies and termination;
- 14) Encumbrances and rights of lenders;
- 15) Agreement on all other matters necessary to reach a full comprehensive agreement; and
- 16) Restrictions on use of Site.

B. **Ground Lease.** The Ground Lease shall include, without limitation, provisions relating to all of the following:

- 1) Demise of the premises, including conditions, exceptions, representations and warranties;
- 2) Term, including options and extensions, if any;
- 3) Payment for Ground Lease based generally on the structure proposed in the original RFQ response, taxes and other charges (including appropriate security and bonds);
- 4) Restrictions on Transfers;
- 5) Encumbrances and rights of lenders;
- 6) Possessions, use, subleasing, operations, maintenance and compliance with laws;



- 7) Construction of improvements and operations, including HCIDLA inspection and approval rights, and environmental matters;
- 8) Insurance, indemnity, damage, destruction and eminent domain;
- 9) Default, cure, dispute, remedies;
- 10) Termination and surrender of Site; and
- 11) Administrative provisions.

## **5. Development Goals for Site**

- a) Coordinate with HCIDLA on the development and leasing of the Site.
- b) Provide for rental housing opportunities to low income individuals, families and/or homeless.
- c) Ensure that all uses on the Site are consistent with the local jurisdiction's adopted land use plans.
- d) Create a development which increases mobility, economic development (including job creation), and meets other community needs.
- e) Design of a development that meets community needs and standards.

## **6. Topics for Negotiation**

In addition, or as supplement to the Essential Terms, as described in Section 4, the topics for negotiation (to the extent of, and as limited by the terms of the Proposal) shall include, among other things:

- a) Project assembly [e.g. re-subdivision of Site, maintaining current subdivision of Site, etc.];
- b) Structure of the transaction [include, e.g. structure of Ground Lease or leases, sales, exchanges, easements, as applicable];
- c) Method of calculating value and paying for Ground Lease based generally on the structure proposed in the original RFQ response;
- d) The terms of the proposed DDA, Ground Lease and other agreements as described in Section 4 above;
- e) Availability of the Site to the DEVELOPER;
- f) Proposed land uses and appropriate assurances regarding the continued use of the Project improvements for their original intent;
- g) Site layout and conceptual architectural and urban design plans;
- h) HCIDLA's requirements upon DEVELOPER to ensure long-term affordability of rental units;
- i) Permanent financing plan, including strategy as it relates to HCIDLA's Managed Pipeline;
- j) Aesthetic considerations;
- k) Quality and type of construction;
- l) DEVELOPER's responsibility to obtain environmental clearances, entitlements, and project financing;
- m) Terms of DEVELOPER's construction financing and HCIDLA's right to approve same; and
- n) Project schedule and any other considerations necessary to fully implement the proposed Project in a timely fashion.

## **7. Deposit**

Prior to and as a condition precedent to the execution of this Agreement by HCIDLA DEVELOPER shall submit to HCIDLA a good faith non-refundable site control fee ("SITE CONTROL FEE") in the amount of \_\_\_\_\_ (\$ \_\_\_\_\_) in the form of cash or certified check to subsidize holding costs.

## **8. Broker's Fees**

The Parties represent and warrant to each other that no broker or finder has been engaged, or is in any way connected with the transactions contemplated by this Agreement. In the event any claim for brokers' or finders' fees is made in connection with the transaction contemplated by this Agreement, the Party upon whose statement, representation or agreement the claim is made shall indemnify, hold harmless and defend the other Parties from and against such claims.

## **9. Assignment**

As a condition to any proposed assignment of this Agreement, DEVELOPER shall be required to make full disclosure to HCIDLA of the principals, officers, stockholders, partners, etc., and all other reasonable pertinent information concerning the assignee of DEVELOPER and its associates.

Except as to an assignment to an entity wholly controlled or wholly owned by DEVELOPER or a limited partnership in which DEVELOPER or an affiliate is a general partner, for which HCIDLA's consent is not required, no assignment by DEVELOPER of its rights and obligations hereunder shall be made without the express written consent of HCIDLA, which consent shall be given or withheld at the sole discretion of HCIDLA. Upon any permitted assignment by Developer of its rights and obligations hereunder, DEVELOPER and the permitted assignee shall execute a written assignment agreement and the succeeding entity shall be deemed DEVELOPER for all purposes under this Agreement. Notwithstanding anything which may be or appear to be herein to the contrary, no assignment hereof by DEVELOPER shall relieve DEVELOPER of its obligations under this Agreement unless specifically agreed to in writing by HCIDLA.

DEVELOPER shall along with any request for approval of any assignments hereof, deliver to HCIDLA the most recent financial statement and/or the financial statements of the assignee. HCIDLA understands and acknowledges the proprietary nature of said information and, to the extent permitted by law, agree not to disclose said information to any person or entity other than representatives of HCIDLA or their consultants, having a need to know.

HCIDLA shall not assess a fee for its approval or any assignment, except to the extent that it incurs direct third party expenses, consultant or legal fees related to approval of the assignment in which event the fee shall not exceed the total of the direct costs incurred by HCIDLA related to approval of the assignment.

## **10. HCIDLA Obligations**

During the Term of this Agreement, HCIDLA shall deliver, within 15 days of receipt of written request thereof, any existing HCIDLA information, studies, reports, site and construction plans or other documents which DEVELOPER may reasonably request to facilitate the Project design without cost or

expense to DEVELOPER. The Parties shall cooperate to ensure timely review and revision of any DEVELOPER documents or plans.

This Agreement is an agreement to enter into a period of exclusive negotiations according to the terms hereof. HCIDLA expressly reserves the right to decline to enter into a DDA and/or a Ground Lease in the event the Parties fail to negotiate either agreement to the satisfaction of HCIDLA. Except as expressly provided in this Agreement, HCIDLA shall have no obligations or duties hereunder and no liability whatsoever in the event the Parties fail to timely execute a DDA as long as they negotiate exclusively in good faith and cooperate in the preparation of the DDA and/or Ground Lease in accordance with Section 1 above.

Developer acknowledges and agrees that HCIDLA has not agreed to fund, subsidize or otherwise financially contribute in any manner toward the development of the Project other than those representations contained in the HCIDLA RFQ.

By its execution of this Agreement, HCIDLA is not committing to or agreeing to undertake: (i) disposition of land to DEVELOPER; or (ii) any other acts or activities requiring the subsequent independent exercise of discretion by HCIDLA, other than their good faith obligation to negotiate exclusively with DEVELOPER as provided herein.

The Parties recognize that one or more of the conditions to DEVELOPER's proposal set forth herein may fail to be met as a result of subsequent studies, reviews and proceedings invoking the exercise of discretion by HCIDLA or any public agency having regulatory jurisdiction.

DEVELOPER shall bear all costs incurred as a result of compliance with the California Environmental Quality Act and the National Environmental Policy Act relating to Developer's joint development of the Project; including, but not limited to, preparation of an environmental report or any other required studies or documents.

#### **11. Non-Liability of HCIDLA, Officials and Employees**

Without limiting the provisions set forth herein, no member, official, representative, director, attorney, or employee of HCIDLA shall be personally liable to DEVELOPER or any successor in interest, in the event of any default or breach by HCIDLA or any obligations under the terms of this Agreement, or of any amount which may become due to DEVELOPER or to its successor under the terms of this Agreement.

#### **12. Plans, Reports, Studies and Investigation**

Upon written request by HCIDLA, DEVELOPER shall provide the requesting agency, without cost or expense to that agency and without representation or warranty, copies of all plans, reports, studies, or investigations (collectively, "Plan") prepared by or on behalf of DEVELOPER which the DEVELOPER owns or has the copyrights to with respect to the Site and the Project. All Plans shall be prepared at DEVELOPER's sole cost and expense, and DEVELOPER agrees to indemnify, defend and hold

harmless the City of Los Angeles, its departments (HCIDLA), and its members, representatives, employees, officials, directors, attorneys, successors and assigns (collectively, "Representatives") from losses, liability, claims, causes of action, injury or expense, including without limitation, reasonable attorneys' fees and costs (collectively, "Loss and Liabilities") arising from or in any way related to the cost of preparation of such Plans.

### **13. Developer's Responsibilities**

Without limiting any other provision of this Agreement, during the period of negotiations hereunder, DEVELOPER, at its sole cost and expense, shall prepare and submit the following documents and perform the following acts all in furtherance of the negotiation process:

**A. Submittals.** HCIDLA and all agencies having regulatory jurisdiction will require planning and design approval for the Project. DEVELOPER shall meet with representatives of HCIDLA to review and come to a clear understanding of the planning and design criteria required by these agencies.

DEVELOPER, within 180 days after execution of this Agreement (subject to receipt of all plans and studies requested by DEVELOPER of HCIDLA pursuant to Section 10), shall submit to HCIDLA the following:

- a) Evidence of control or acquisition plan of any properties not owned by HCIDLA but considered essential to the Project. Evidence shall be in the form of letters of intent from each of the owners stating commitment of land, economic terms and cost basis as well as a detailed action plan and schedule relating to the acquisition of the properties.
- b) Revised or updated Project design concept plan, including a site plan and sections as necessary to describe the proposed scope and schedule.
- c) Project development schedule including milestones for site control, financing commitments, design, environmental/entitlement, construction and completion.
- d) Financing plan/economic projection for the Project. The financing plan shall include a detailed statement of the overall estimated costs of construction and, to the extent it is then available: a) the source and availability of equity capital; and b) construction and long-term development financing. The economic projection shall estimate income to be derived from the Project, and operating costs and debt service shall include a pro forma statement of Project return adequate to enable HCIDLA to evaluate the economic feasibility of the proposed development of the Project. Prior to expiration of the Negotiation Period, DEVELOPER shall update the financing plan to include the source and availability of equity capital, construction and long-term financing if not previously included in the plan.
- e) Proposed term sheet for the Ground Lease (if applicable). The proposal shall include without limitations
  1. Term, including any options,
  2. Rent amount,
  3. Recognition of costs, if any, incurred by or for the benefit of any party to achieve design objectives or construction interfaces;
  4. Description of any reciprocal access rights related to the common use areas; and

5. The general terms upon which DEVELOPER may enter into subleases.

**B. Cost Disclosure:** To support negotiation of the Ground Lease, the DEVELOPER agrees to disclose to HCIDLA all costs and revenue projections for the proposed Project, including the terms under which the DEVELOPER has been able to obtain control of any other adjacent properties to be included in the Project.

**C. Further Information:** HCIDLA reserve the right at any time to request from DEVELOPER additional or updated information including data, and commitments to ascertain the depth of the DEVELOPER's capacity and desire to lease and develop the Site expeditiously. HCIDLA will provide a reasonable time for DEVELOPER to submit to the respective agency such additional information.

#### **14. Effective Date**

The Agreement shall be deemed effective upon the date on which this Agreement is executed by all Parties, as evidenced by the date of the last signature on the signature pages hereto (the "Effective Date").

#### **15. Entire Agreement**

This Agreement represents the entire agreement of the Parties with respect to the matters set forth herein. This Agreement may not be amended except in writing signed by all the Parties hereunder.

#### **16. Covenant Against Discrimination**

DEVELOPER shall not discriminate against nor segregate any person, or group of persons on account of sex, race, color, age marital status, religion, handicaps, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the DEVELOPER establish or permit any such practice or practices of discrimination or segregation in the selection, location, number, use or occupancy of tenants, lessees, subtenants, subleases or vendees of the Site.

#### **17. Notices**

All notices required or permitted hereunder shall be delivered in person, by overnight courier, or by registered or certified mail, postage prepaid, return receipt requested to such party at its address shown below, or to any other place designated in writing by such Party.

DEVELOPER: Name, Address, City, State, Zip  
Attention:

HCIDLA: City of Los Angeles Housing and Community Investment Department  
1200 W. 7<sup>th</sup> Street, 9<sup>th</sup> Floor  
Los Angeles, CA 90017  
Attention: Rushmore D. Cervantes, General Manager

Any such notice shall be deemed received upon delivery, if delivered personally or by FAX or email, (1) the next business day after delivery by a courier, if delivered by courier, and three (3) days after deposit into the United States Mail, if delivered by registered or certified mail.

IN WITNESS WHEREOF, HCIDLA AND DEVELOPER have signed this Agreement as of the dates set forth below.

By: \_\_\_\_\_

HCIDLA  
City of Los Angeles Housing and Community Investment Department

By: \_\_\_\_\_

Approved as to form:

MICHAEL N. FEUER  
City Attorney

By: \_\_\_\_\_

DEVELOPER

By: \_\_\_\_\_

DEVELOPER