

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 6, 2020

CAO File No. 0220-00540-1425

Council File No. 15-0450-S1

Council District: 15

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer



Reference: Housing and Community Investment Department transmittal dated January 15, 2020; Received by the City Administrative Officer on January 22, 2020; Additional Information Received through February 6, 2020

Subject: **REQUEST FOR APPROVAL TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON THE CITY-OWNED PROPERTY AT 456-462 WEST 9TH STREET**

RECOMMENDATIONS

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

1. Authorize the General Manager of the Housing and Community Investment Department (HCID), or designee, to negotiate and execute a Disposition and Development Agreement (DDA) with the selected developer LINC Housing Corporation and National Community Renaissance of California, Inc. (Developers) for three City-owned parcels located at 456-462 West 9th Street (APN 7455-007-902), 461-473 West 8th Street (APN 7455-007-900), and 457 West 8th Street (APN 7455-007-903), or the Developers' to-be-formed Limited Partnership as a condition of financing, based on the Key Terms and Conditions negotiated with the Developers and attached to the HCID's transmittal dated January 15, 2020 (Report) and in substantial conformance to the Draft DDA attached to HCID's Report; and,
2. Authorize the General Manager of the Los Angeles Department of Transportation to effectuate a non-financial transfer of jurisdiction and control of certain properties located at 456-462 West 9th Street (APN 7455-007-902), 461-473 West 8th Street (APN 7455-007-900), and 457 West 8th Street (APN 7455-007-903) to HCID to assist in the assembly of land for the development of affordable housing.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to negotiate and execute a Disposition and Development Agreement (DDA) with LINC Housing Corporation and National Community Renaissance of California, Inc. (Developers) for the development of three City-

owned parcels that comprise Parking Lot 641 in Council District 15: 456-462 West 9th Street, 461-473 West 8th Street, and 457 West 8th Street. The three-parcels are commonly referred to as 462 West 9th Street (Property). The HCID is also requesting that Council authorize the Department of Transportation (DOT) to effectuate a non-financial transfer of the subject Property three months before construction begins. This Office concurs with the Department's recommendations.

The Developers were selected from a Request for Proposals (RFP) process for the development of the Property currently managed by the DOT, as described in the HCID transmittal dated January 15, 2020 (Report). The HCID and the DOT entered into an Exclusive Negotiation Agreement (ENA) with the qualified Developers on June 6, 2018. HCID is now requesting authority to execute a DDA with the Developers, based on the Key Terms and Conditions contained in the Term Sheet attached to the HCID's Report. The project will result in 90 affordable housing units for individuals and families and one unrestricted manager unit. The project will also provide up to 52 replacement parking spaces, 10 commercial parking spaces, and 49 resident parking spaces.

Ground Lease Terms

In accordance with the Housing Development Land Conveyance Policy approved by City Council on November 8, 2017 (C.F. 17-0862), the HCID will utilize long-term ground leases for development of affordable housing projects on publicly owned land by executing a DDA and Ground Lease, where feasible. The subject Property will be transferred to the Developers through a long-term Ground Lease. It should be noted that the Term Sheet and Draft DDA indicate that the Developers will be required to pay a base annual ground lease payment of \$10,000, to be increased annually by an interest rate of one percent, for the first 67 years of the Ground Lease. The HCID indicated that the ground lease payments would be received as General Fund revenue, which will be appropriated in subsequent budget processes. This Office notes that an annual rent through a Ground Lease increases the total cost of the project for developers.

Vehicle Parking District 110

During the ENA and Term Sheet negotiation, HCID became aware that this property is designated as a Vehicle Parking District (VPD) under the 1943 Parking District Law. VPD 110 was created to purchase and improve property that became Parking Lot 641. Funding for the purchase and improvements included contributions from adjacent property owners. On October 2019, City Attorney confirmed that VPD 110 is not an impediment for affordable housing development on the site because: 1) all land acquisitions and improvements have been completed on the site; 2) the assessments and bonds have been fully paid; and, 3) the parking lot has been operated for more than 39 years, which is the deemed useful life of a parking lot. HCID indicated that a separate report regarding Vehicle Parking Districts will be submitted to Mayor and Council in 2020 in order to memorialize the City Attorney's opinion on the 1943 Vehicle Parking District Law, as it will impact the development of affordable housing on other City-owned sites.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Potential project funding sources include Federal loans,

State tax credits, and private financing, among others. There is no additional cost to the City, and no funding commitments are being made at this time.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

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