

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: February 1, 2019

CAO File No. 0220-00540-1329  
Council File No. 16-0419; 16-0419-S1  
Council District: 8

To: The Mayor  
The Council

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

Reference: Housing and Community Investment Department Transmittal dated November 29, 2018; Received January 15, 2019; Additional Information Received through January 28, 2019

Subject: **REQUEST FOR AUTHORITY TO PROVIDE ADDITIONAL FUNDING TOTALING \$2,014,663 FOR THE FLORENCE MOREHOUSE AFFORDABLE HOUSING DEVELOPMENT TO BRING THE DEVELOPMENT INTO FULL COMPLIANCE WITH THE STATE AND FEDERAL ACCESSIBILITY REQUIREMENTS AND EXECUTE NECESSARY LOAN DOCUMENTS AND AMENDMENTS**

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### 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:
  - a. Issue a letter of financial commitment in an amount not to exceed \$2,014,663 using funds from the Accessible Housing Fund, New Account No. (10D/43/43R807);
  - b. Negotiate and Execute loan documents and amendments to the loan with Florence Morehouse LP, including the interest rate, loan and affordability terms, loan amount, and subordination to new permanent loans, subject to approval of the City Attorney as to form;
  - c. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer; and,
2. Authorize the Controller to:
  - a. Transfer appropriations in the amount of \$2,014,663 from the Unappropriated Balance, Fund No. 100/58, Account No. 580238, Accessible Housing Program Retrofit Contracts, to the Accessible Housing Fund No. 10D/43, New Account No. 43R807 for retrofits associated with the Florence Morehouse Development; and,

- b. Expend funds in an amount not to exceed \$2,014,663, from the Accessible Housing Fund No. 10D/43, New Account No. 43R807, for hard construction costs required to bring the Florence Morehouse Development, located at 910 W. Florence Ave. and 1750 W. Martin Luther King Jr. Blvd., into compliance with federal and state accessibility requirements, upon proper written demand of the General Manager.

## **SUMMARY**

The Housing and Community Investment Department (HCID) requests authority to provide additional funding totaling \$2,014,663 for the Florence Morehouse affordable housing development (Project) to bring the Project into compliance with the federal Fair Housing Act (FHA) and California Building Code Section 11B requirements, including issuing a letter of financial commitment and negotiating and executing amendments to loan documents. The HCID reports that while the developer agreed to all of the City's policies, and the original budget included ensuring that 10 percent (seven units) of the Project's 61 units are designed for mobility accessibility and four percent of the units (three units) are designed for hearing and vision accessibility, the Project's original budget did not consider the requirement to ensure all common areas and access routes are accessible and to make the remaining 51 non-accessible units of the Project "adaptable," pursuant to the FHA. The funding request is for the hard construction costs for meeting the FHA requirements, plus other costs associated with the Project. The Department reports that the 10 newly rehabilitated accessible units will only count toward the City's goal of 4,000 units of accessible affordable housing within ten years, if the entire Project is FHA compliant, in accordance with a Corrected Settlement Agreement with the Independent Living Centers of Southern California et al. Additional Project information is included in the HCID transmittal dated November 29, 2018.

The HCID 2018-19 adopted budget included funding totaling \$500,000 for retrofit work of affordable housing units, and an additional \$5 million is included in the Unappropriated Balance for such work. On December 5, 2018, the Council approved additional funding totaling \$534,668 from the Unappropriated Balance for the Crescent Villages Project to bring it into compliance with the FHA using 2018-19 budgeted funds for retrofit work. This left an Unappropriated Balance of \$4,465,332. The HCID is now requesting to transfer \$2,014,663 from the Unappropriated Balance to a new Account No. 43R807 under the Accessible Housing Fund for the Florence Morehouse Development Project. This Office concurs with the recommendations of the Department.

## **FISCAL IMPACT STATEMENT**

There is no additional impact to the General Fund. The proposed amendment to an existing loan for the Florence Morehouse Development project will be paid for by budgeted monies within the Unappropriated Balance for retrofits that are part of the Accessible Housing Program. The recommendations in this report are in compliance with the City's Financial Policies in that there are sufficient budgeted funds available to support the loan.