

TRANSMITTAL

To:

THE COUNCIL

Date: 12/5/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garceiti', is written over the printed name.

ERIC GARCEITI
Mayor

(Ana Guerrero) for



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Office of the General Manager

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Council File: CF 16-0419; CF 16-0419 S1

Council District:8

Contact:

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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Main Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO PROVIDE ADDITIONAL FUNDING TOTALING \$2,014,663 TO 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

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to provide additional funding totaling \$2,014,663 for the Florence Morehouse affordable housing development to bring the development into full compliance with federal Fair Housing Act (FHA) and California Building Code Section 11B requirements. HCIDLA administers the Accessible Housing Program (AcHP), which is responsible for ensuring compliance with federal and state accessibility requirements in multi-family affordable housing developed with City assistance. Prior to the implementation of this program, but before construction began, the City issued tax exempt conduit bonds for the acquisition and substantial rehabilitation of Florence Morehouse, a multi-family affordable housing development located at 910 W. Florence Avenue, Los Angeles, CA 90044 (Florence site) and 1750 W. Martin Luther King Jr. Blvd., Los Angeles, CA 90062 (Morehouse site). The two sites together provide 61 units of family housing, 59 of which are rent-restricted. The Florence site has 20 family units consisting of nine two-bedroom units and ten three-bedroom units restricted to incomes between 35 and 50% of Area Medium Income (AMI), and one two-bedroom unrestricted manager's unit. The Morehouse site has 41 units including seven one-bedroom units, 20 two-bedroom units, 11 three-bedroom units, and two four-bedroom units restricted to between 50 and 60% of AMI, and one two-bedroom unrestricted manager's unit.

In 2016, Century Affordable Development Inc. (Developer) sought and received bond financing for the acquisition and rehabilitation of the project. This deal closed shortly before the City entered into a Corrected Settlement Agreement with Independent Living Centers of Southern California, et. al, that led to the creation of the City's AcHP. Although the Developer, and Florence Morehouse LP (Borrower), have agreed to all of the

City's policies, the project's original budget did not consider the requirement to bring the properties into compliance with the federal and state accessibility requirement to make all non-accessible units adaptable, and to ensure common areas and access routes are accessible. In addition to incurring additional construction costs, the Borrower has experienced significant construction delays and requests financial assistance to bring the development into compliance.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that the Mayor and City Council:

- I. TRANSFER appropriations in the amount of \$2,014,663 from the Unappropriated Balance, Accessible Housing Program Retrofit Contracts, Fund 100/58 Account 580238, to the Accessible Housing Fund No. 10D/43, New Account No. 43R807 – Florence Morehouse, for retrofits associated with accessibility requirements;
- II. AUTHORIZE the General Manager of HCIDLA, or designee, to issue a letter of financial commitment not to exceed \$2,014,663 using funds from the Accessible Housing Fund, New Account No. (10D/43/43R807);
- III. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute loan documents and amendments to the loan with Florence Morehouse LP, including: interest rate, loan and affordability terms, loan amount, subordination to new permanent loans; subject to the approval of the City Attorney as to form; and
- IV. AUTHORIZE the Controller, upon proper written demand of the General Manager of HCIDLA, to expend funds not to exceed \$2,041,663 from Fund 10D/43, Accessible Housing Fund New Account No. 43R807, for construction costs required to bring Florence Morehouse, located at 910 W. Florence Avenue and 1750 W. Martin Luther King Jr. Blvd., into compliance with federal and state accessibility requirements.

BACKGROUND

In September 2016, the City entered a Corrected Settlement Agreement (CSA) with Independent Living Centers of Southern California et. al. requiring, among other things, that the City retrofit, or cause to be built new, 4,000 units of accessible affordable housing over ten years. The City agreed to require all newly constructed or substantially rehabilitated multi-family affordable housing developments to include ten percent of its units to be accessible to persons with mobility disabilities and four percent of its units to be accessible to persons with hearing or vision disabilities, and that the entire development, including common areas and amenities, be accessible and comply with the Fair Housing Act (FHA). Before this CSA agreement was finalized, the City had committed funding to retrofit three affordable housing developments whose funding agreements did not address the need to retrofit the properties to FHA standard: West A Homes, Crescent Villages and Florence Morehouse. HCIDLA has been in frequent communication with the developers of these properties to identify funding needs, if any, to allow the property and the City to comply with the terms of the CSA. HCIDLA had previously submitted requests to assist West A Homes (C.F. 16-0230-S1) and Crescent Villages Apartments (C.F. 16-0779) in addressing these needs. Florence Morehouse is the third and final development that has been impacted by the combined age of the original property and that entered into regulatory agreements just prior to the execution of the CSA.

This transmittal addresses the additional funding required to bring the last of these developments, Florence Morehouse, located at 910 W. Florence Avenue and 1725 W. Martin Luther King Jr. Blvd., into compliance with the federal and state accessibility standards. The Developer and Owner of this property have agreed to ensure that

ten percent of the units within the development are designed for mobility accessibility (seven units) and four percent of the units for hearing and vision accessibility (three units), and to comply with all of the policies required by the City. However, their original project design did not contemplate the requirement to bring the development into compliance with the FHA and California Building Code Section 11B. This change requires the Developer to add restrooms, address accessibility requirements in common use areas including resurfacing courtyards and walkways to reduce slope, and to make all standard units “adaptable.” The scope of work for the Florence Morehouse development is significantly more extensive than the work required at West A Homes and at Crescent Villages Apartments. The cost to address this difference cannot be absorbed within the original project budget.

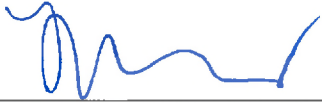
The Developer submitted a funding request to HCIDLA for consideration. After careful review of all of the costs and comparing the elements to the original scope of work, HCIDLA staff recommends increasing the commitment for this project by \$2,014,663 to bring both properties into compliance. If the project is not brought up to the FHA standard, the City will not be able to count the ten newly rehabilitated accessible units in this development toward its 4,000 unit goal, and would be required to make up those units in another project at a significantly higher cost. Additionally, the City is legally obliged to correct the deficiencies in these buildings, benefiting all of their current and future low income tenants. For these reasons, HCIDLA recommends utilizing funds designated for this purpose in the Unappropriated Balance, to bring this development into full compliance with the FHA. HCIDLA requests approval to send the Developer a letter of commitment, not to exceed \$2,014,663 for this purpose.

Funding totaling \$5.0 million has been earmarked in the Unappropriated Balance for the retrofit work of affordable housing units. HCIDLA had previously requested \$534,668 be appropriated for Crescent Villages Apartments, leaving a balance of \$4,465,332 available. Therefore, it is further recommended that \$2,014,663 be appropriated from the Unappropriated Balance and transferred to the Accessible Housing Fund 10D/43, New Account No. 43R807 for the Florence Morehouse affordable housing development.

FISCAL IMPACT STATEMENT

The General Fund costs associated with this transmittal total \$2,014,663. Funds totaling \$5.0 million have been earmarked in the Unappropriated Balance for the retrofit of affordable housing units, with an available balance of \$4,465,332. HCIDLA recommends \$2,014,663 be transferred to the Accessible Housing Fund 10D/43, New Account No. 43R807 for the Florence Morehouse affordable housing development.

Prepared by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager