

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 9/26/2018

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

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September 25, 2018

Council File: New  
Council Districts: 14  
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The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 300, City Hall  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR APPROVAL TO EXTEND THE TERM OF THE LOAN AND COVENANT REGULATORY AGREEMENTS AND MODIFY THE INTEREST RATES FOR THE SENATOR HOTEL APARTMENTS AFFORDABLE HOUSING PROJECT AND THE APPROVAL AND ADOPTION OF THE REQUIRED REPLACEMENT HOUSING PLAN AND RESOLUTION.**

### **SUMMARY**

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA requests authority to extend the loan and regulatory terms for the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) property, the Senator Hotel Apartments (Senator), for an additional 55 years; and to convert the existing interest rate to the Applicable Federal Rate (AFR) established at the time of loan closing, pursuant to Internal Revenue Code Section 1274(d)(2).

The Skid Row Housing Trust (Trust) is recapitalizing and rehabilitating the Senator, an affordable housing project. The project has an existing loan for \$6,086,619, which was originated by CRA/LA and assumed by HCIDLA upon CRA/LA's dissolution.

### **RECOMMENDATIONS**

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

- I. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute amendments to an existing City loan for the Senator Hotel Apartments. Amendments will include, but not be limited to, changes in loan principal balances, interest rates, affordability periods, subordination, and assignment and transfer to new limited partnership, subject to approval of the City Attorney as to form;
- II. Authorize the General Manager of HCIDLA, to extend the loan agreement and regulatory agreement term to 55 years; and to combine the original principal loan amount and accrued interest into a new principal loan amount with interest, compounded annually, equal to the Applicable Federal Rate on the original principal loan amount and zero percent (0%) on the accrued interest amount for the Senator Hotel Apartments;
- III. Adopt the Resolution (Attachment A) and approve the Replacement Housing Plan (Attachment B);
- IV. Authorize the HCIDLA General Manager, or designee, to execute any documents pertaining to these transactions, consistent with the Mayor and City Council actions on this matter, subject to the approval of the City Attorney as to form; and,
- V. Authorize the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Officer, and request the Controller to implement these instructions.

## **BACKGROUND**

The Trust was founded in 1989 by business and civic leaders to respond to the loss of Single Room Occupancy (SRO) hotel units by preserving and rehabilitating existing residential hotels. The Trust provides supportive housing to people who have experienced homelessness, prolonged extreme poverty, poor health, disabilities, mental illness, and/or addiction; so that they can lead safe, stable lives. The Trust owns and operates 26 buildings of permanent supportive housing for formerly homeless individuals in the Los Angeles area. In 2018, the Trust provided housing and support to more than 1,800 formerly homeless and vulnerable men and women.

The Trust is recapitalizing the Senator, which is located at 729 S. Main Street and contains 99 single room occupancy apartments. The project was originally completed in 1994 and received funding assistance of \$6,086,619 from the former CRA/LA. The CRA/LA loan will remain on the property and the original principal loan amount of \$6,086,619 will be combined with the existing accrued interest of approximately \$4,438,377, for a new principal loan amount of approximately \$10,524,996. The original existing principal loan amount (\$6,086,619) will accrue interest at the published AFR at the time of loan closing for the recapitalization, compounded annually. The existing accrued interest (approximately \$4,438,377) will not accrue any additional interest.

In addition, the loan term and affordability covenant will be extended 55 years from the date of loan closing. No additional City funding will be required for the recapitalization and rehabilitation of the Senator. Financing sources for the rehabilitation include Tax Exempt Private Activity Bonds, Low Income Housing Tax Credits, California Department of Housing and Community Development Veterans Housing and Homelessness Prevention Funds, and Federal Home Loan Bank of San Francisco Affordable Housing Program Funds.

The rehabilitation of the Senator will result in the reduction of two income-restricted housing units previously covenanted by the former CRA/LA. This will allow for the creation of an unrestricted on-site manager's unit and additional on-site community space, for the provision of supportive services for residents. The number of restricted housing units will be reduced from 99 to 97 units. As a result of the reduction in restricted housing units, the California Health and Safety Code requires that a Replacement Housing Plan be adopted by Resolution of the City Council. The Resolution approving the Senator Apartment Replacement Housing Plan is included as Attachment A to this transmittal and the Senator Apartment Replacement Housing Plan is included as Attachment B to this transmittal.

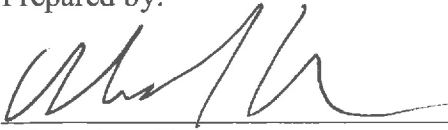
The Replacement Housing Plan identifies 811 Carondelet Street, the location of The Six affordable housing project, as a replacement housing site for the two restricted units removed from the Senator. Because the Senator is located within the City Center Redevelopment Project Area and The Six is located outside the City Center Project area, the two restricted units removed from the Senator must be replaced with four restricted units at The Six project site. Therefore, in accordance with the Trust's attached Replacement Housing Plan, HCIDLA will place long-term affordability covenants restricting four units at The Six, at rents affordable to very low-income households.

Recapitalization and rehabilitation of the Senator will accomplish several significant goals, including: 1) preserving and extending affordability for homeless persons, including all required upgrades to designated units and common areas for use by homeless persons with mobility or hearing or vision disabilities; 2) retrofitting the major building systems, such as the roof, windows, electrical, plumbing and heating, ventilation and air conditioning (HVAC), to increase the physical lifespan and energy efficiency of the building; 3) increasing operating income and establishing dedicated services funding; and 4) addressing significant building amenities, such as accessibility and thermal comfort, to make the building more suitable for the existing population.

### **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. No new City funds will be required for the recapitalization and rehabilitation of the Trust's Senator Property.

Prepared by:



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Loan Portfolio Unit

Reviewed by:



Craig Arceneaux  
Finance Development Officer II  
Loan Portfolio Unit

Reviewed by:



VASKEN DJANSEZIAN  
Community Housing Programs Manager  
Asset Management Division

Reviewed by:



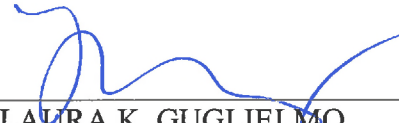
DOUGLAS SWOGER  
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Reviewed by:



SEAN SPEAR  
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO  
Executive Officer

Approved by:



RUSHMORE D. CERVANTES  
General Manager

Attachments:

- A. Resolution
- B. Replacement Housing Plan

## ATTACHMENT A

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES TO ADOPT THE REPLACEMENT HOUSING PLAN FOR TWO (2) DWELLING UNITS TO BE REMOVED FROM THE SENATOR HOTEL, LOCATED AT 729 S. MAIN STREET (SITE 99 UNITS), LOCATED IN LOS ANGELES, CALIFORNIA. THIS REDUCTION IN UNITS WILL ALLOW FOR THE CREATION OF ON-SITE COMMUNITY SPACE FOR THE PROVISION OF SUPPORTIVE SERVICES FOR THE RESIDENTS, AND FOR THE CREATION OF AN UNRESTRICTED ON-SITE MANAGERS UNIT. THE TWO RESTRICTED UNITS REMOVED FROM THE SENATOR HOTEL WILL BE REPLACED WITH FOUR (4) UNITS AT THE SIX APARTMENTS. THE SIX APARTMENTS IS LOCATED AT 811 S CARONDELET STREET AND IS OUTSIDE THE CITY CENTER REDEVELOPMENT PROJECT AREA.

WHEREAS, pursuant to the provisions of California Community Redevelopment Law (Health and Safety Code Section 33413.5), the staff of the City of Los Angeles, a municipal corporation (City), acting on its own behalf, and by and through the Los Angeles Housing and Community Investment Department (HCIDLA) as successor agency to the housing assets and housing functions of the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) under Section 34176(a) of the California Health and Safety Code pursuant to the agreement regarding CRA/LA Affordable Housing Assets and Functions with the effective date of April 5, 2013, has prepared a Replacement Housing Plan (Senator Apartments Replacement Housing Plan) a copy of which is attached hereto as Exhibit A, for rehabilitation of the Senator Hotel and the replacement of two (2) restricted units with four (4) units within the Six Apartments.

WHEREAS, The Skid Row Housing Trust owns and operates the Senator Hotel and the Senator Hotel received funding from the former CRA/LA; and

WHEREAS, The Skid Row Housing Trust has obtained a bond allocation from The California Debt Limit Allocation Committee (CDLAC) for \$13,800,000 on July 18, 2018, and an allocation of 4% and certificated state tax credits from the California Tax Credit Allocation Committee (CTCAC) awarded on June 13, 2018 in order to complete the renovation of the Senator Hotel; and

WHEREAS, the demolition of one (1) restricted assistant manager's unit at the Senator Hotel will create additional on-site community space for the provision of supportive services to better serve special needs residents, residents with a history of homelessness, and any other resident that so wishes to utilize supportive services. Additionally, the manager's unit will be converted to an unrestricted unit, whereas it was previously restricted; and, the restricted unit count at the Senator Hotel will be reduced from ninety-nine (99) restricted units to ninety-seven (97) restricted units; and

WHEREAS, The Skid Row Housing Trust will replace the two restricted units with four restricted units within the Six Apartments; and

WHEREAS, for a reasonable time prior to the adoption of this Resolution, the City has made available the Replacement Housing Plan to the public; and

WHEREAS, the Senator Replacement Housing Plan is consistent with the City Center Redevelopment Project Area Redevelopment Plan.

NOW, THEREFORE, BE IT RESOLVED that by the adoption of this Resolution, the Council of the City of Los Angeles hereby finds the proposed Senator Replacement Housing Plan to be in conformity with the provisions of the California Community Redevelopment Law and the City Center Redevelopment Project Area Redevelopment Plan, and hereby approves and adopts the Senator Replacement Housing Plans attached as Exhibit A.

This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED BY THE CITY COUNCIL of the City of Los Angeles this day of , 2018 at Los Angeles, California.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held, 2018.

By:

City Clerk

(SEAL)



## ATTACHMENT B

## **SENATOR APARTMENTS REPLACEMENT HOUSING PLAN**

The Los Angeles Housing + Community Investment Department (HCIDLA) is the Successor Agency responsible for managing all former Community Redevelopment Agency of City of Los Angeles (CRA/LA) housing assets. To comply with California Health and Safety Code Section 33413.5, which requires the adoption, by resolution, of a replacement housing plan, HCIDLA has prepared this plan.

This Replacement Housing Plan (the "Plan") sets forth the obligations of the Skid Row Housing Trust (SRHT), a non-profit organization, in its provision of a replacement housing plan pursuant to Health and Safety Code 33410-33418 with respect to the proposed rehabilitation of the 99-unit residential housing development, Senator Apartments (the "Property"), located at 729 S Main Street, Los Angeles, California. The Plan will recount the CRA/LA financing and covenants affecting the Property, explain the planned renovation of the Property, and describe the replacement housing obligations at the Property, as well as location, timetable and financing for replacement units. This Plan is written in accordance to Health and Safety Code §33413.5.

### **I. Introduction**

On July 11, 1991, the CRA/LA and the SRHT entered into an Acquisition and Predevelopment Loan Agreement for property located at 729 S Main Street, in which SRHT agreed to develop and acquire the property at that address. Accordingly, on December 6, 1991, as Instrument No. 91-1923067 in the official records of Los Angeles County, the CRA/LA and SRHT entered into an Agreement Containing Covenants Affecting Real Property. Subsequently, on May 20, 1993, the CRA/LA and SRHT entered into an Amendment to the Acquisition and Predevelopment Loan Agreement which amended the Loan Agreement to (1) convert the Agency Loan from an acquisition and predevelopment loan to a permanent loan; and (2) specify the number of SRO units at 729 S Main Street as 99 units. Therefore, on May 20, 1993, an Amendment to Agreement Containing Covenants Affecting Real Property was recorded as Instrument No. 93-962564 in the official records of Los Angeles County, which specified that 100% of the newly constructed 99 units be occupied and rented exclusively by persons of very low income at rates affordable to very low income households. The affordability restrictions described by the covenants remain in effect for 55 years from the date of issuance of a Certificate of Occupancy for the Property, which is November 21, 1994.

SRHT plans to rehabilitate the existing building at 729 S Main Street, which is owned by a single asset Limited Partnership wholly owned and controlled by SRHT. The Project is an occupied rehabilitation, and no permanent relocation is anticipated. Residents will be temporarily relocated to another unit within the Property while work is performed in their unit, and residents will return to their original unit following completion of renovation in that unit.

The Property is 99 units, of which 96 are restricted affordable SRO units, one restricted affordable studio unit, one restricted affordable studio manager's unit, and one restricted affordable one-bedroom manager's unit. The Property currently has 99 units restricted by CRA covenant. As part of planned rehabilitation at the Property, the restricted unit count at the Senator will be reduced from 99 restricted units to 97 restricted units. One restricted affordable studio manager's unit will be removed in order to create additional on-site community space for the provision of supportive services to better serve special needs residents, residents with a history of homelessness, and any other resident that so wishes to utilize supportive services. One restricted affordable one-bedroom manager's unit will be unrestricted, and will remain in use as an unrestricted one-bedroom manager's unit. The final unit count will be 98 units, including one unrestricted one-bedroom manager's unit,

and 97 units restricted by the CRA/LA covenant, which include 96 restricted SRO units and one restricted studio.

The Six is a 52 unit permanent supportive housing development located at 811 Carondelet Street owned by the SRHT and will serve as the replacement housing site for the Property. The Senator is located in the City Center Project Area; the Six is located outside the City Center Project Area. Therefore the reduction of two restricted units at the Property will be replaced with a four unit Very Low Income covenant at the Six, including two studio units and two 1-bedroom units.

## II. The Project

The Project includes a full rehabilitation of the Property. It will accomplish several significant goals for the Property, including: (1) preserving and extending affordability and a commitment to house individuals with special needs; (2) retrofitting the major building systems (e.g. roof, mechanical, electrical, plumbing, HVAC) to increase the physical lifetime and energy efficiency of the building; (3) increasing operating income by modifying rental subsidies and establishing dedicated services funding; (4) addressing significant building amenities such as accessibility and thermal comfort to make the buildings more suitable for the existing population. Units with CRA/LA affordability restrictions at the Property will be replaced at 811 Carondelet Street, the Six.

## III. Description of Dwelling Units to be Demolished

The rehabilitation work at the Property will result in the removal of one restricted affordable studio manager's unit, and the un-restriction of one restricted affordable one-bedroom manager's unit that will remain in use as an unrestricted one-bedroom manager's unit. Table 1 shows the income category and bedroom counts for the 2 units to be removed or unrestricted and the anticipated replacement date, within 4 years of removal or un-restriction.

### Demolished Units

Project Address	Dwelling Units	Bedrooms	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Anticipated Removal
729 South Main St	1	0	0	1	0	0	December 2018
729 South Main St	1	1	0	1	0	0	December 2018
TOTAL	2	1	0	2	0	0	—

### Replacement Units

Project Address	Dwelling Units	Bedrooms	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Anticipated Replacement Date
811 Carondelet St	2	0	0	2	0	0	December 2019
811 Carondelet St	2	1	0	2	0	0	December 2019
TOTAL	4	2	0	4	0	0	—

## IV. Replacement Housing Requirements

Health and Safety Code Section 33413(a) requires that 100 percent of the replacement units shall be made available at or below the same affordability level of the destroyed or removed units. Health and Safety Code

Section 33413(b)(2)(A)(ii) requires a replacement ratio of two units for every one unit removed if the replacement occurs outside of the redevelopment project area. Therefore, the required total number of Low Income replacement dwelling units will be four, if the units are located in a project outside the project area, and two if they are located within the City Center Project Area. The SRHT will locate four replacement units at the Six at 811 Carondelet Street, which is outside the City Center Project Area.

V. General Location of Replacement Housing, Timetable and Means of Financing

The Replacement Housing will be located at 811 Carondelet Street, the Six. This housing is existing, comparable housing that finished construction in 2015.

Performance Timetable

Action Item	Deadline
Ensure all replacement housing covenants recorded	June 2022

VI. Article XXXIV Approval

The Project does not require approval of the voters pursuant to Article XXXIV of the California Constitution because the Project is excluded from the term "low rent housing project" to which Article XXXIV of the California Constitution applies. The Project is excluded from the term "low rent housing project" because a contract for financial assistance between a state public body and the Federal Government in respect to the Project exists.