

COMMUNICATION FROM VICE-CHAIR, HOUSING COMMITTEE relative to authorization to convert four Community Redevelopment Agency of the City of Los Angeles (CRA/LA) Residual Receipts Loans into service repayment conditional grants.

Recommendations for Council action:

1. ADOPT the Policy on Conversion of Former CRA/LA Loans into Service Payback Loans, as amended, attached to the August 16, 2016 City Administrative Officer (CAO) report and the Council file.
2. AUTHORIZE the General Manager, Housing and Community Investment Department (HCID), or designee, to:
 - a. Negotiate and execute the amendments and take necessary actions to convert an existing residual receipts loan with Project New Hope (PNH) in the amount of \$460,566.54, for Our House located at 1133 South Lake Street, into a service payback loan.
 - b. Negotiate and execute amendments and take necessary actions to convert an existing residual receipts loan with the Center for the Pacific Asian Family Inc. (CPAF) in the amount of \$337,137.47, for Every Woman's Shelter located in Council District 5, into a service payback loan.
 - c. Negotiate and execute amendments and take necessary actions to convert two existing residual receipts loan with Pacific Clinics in the amounts of \$472,704.92, for Community Connections located at 3881 South Western Avenue, and \$618,196.27 for Rampart located at 238 South Rampart Boulevard, into service payback loans.

Fiscal Impact Statement Submitted: The CAO reports that there is no impact to the General Fund. The four loans were previously provided by the former CRA/LA, and the recommendations in this report comply with City Financial Policies in that there is no additional cost to the City.

Community Impact Statement: None submitted.

Summary:

On August 17, 2016, the Vice-Chair and one member of the Housing Committee considered June 7, 2016 HCID and August 16, 2016 CAO reports relative to authorization to convert four CRA/LA Residual Receipts Loans into service repayment conditional grants. According to the CAO, the HCID is requesting authority to convert four residual receipts loans, provided by the former CRA/LA, into service payback loans. The residual receipts loans were provided to three nonprofit entities to provide shelter and transitional housing and supportive services for homeless individuals and families. The annual repayment amounts were to be determined based upon the amount by which project income exceeded project expenses. Additional information on the nonprofit entities and the residual receipts loan terms is included in the June 7, 2016 HCID report.

The HCID reports that none of the nonprofit entities have made a payment on their residual receipts loan(s). It should be noted that the principal amount for PNH's loan for the Our House Project in Table 1 of the HCID report is less than the original loan amount of \$245,000. The HCID reports that there was an accounting adjustment to the loan at the time HCID inherited the CRA/LA loan. After reviewing the loans and audited financial statements of the nonprofit entities, the HCID reports that the loans meet all of the requirements of the 2007, Council-approved CRA/LA policy on converting residual receipts loans to Conditional Grants (Council File No. 06-2578), as outlined in Attachment A of the June 7, 2016 HCID report.

Subsequent to their June 7, 2016 HCID report, the HCID submitted a proposed policy for converting former CRA/LA residual receipts or deferred loans to Service Payback Loans, which is attached to the August 16, 2016 CAO report. The HCID determined that providing transitional housing and supportive services to victims of domestic violence, individuals with HIV/AIDS, or individuals with mental illness fulfills a public benefit, and is not expected to generate any operating income to make payment on the residual receipts loans. The HCID reports that the nonprofit entities have provided beneficial services since the inception of their residual receipts loans, but will still need to provide proof of service for previous years in order to determine service credits that will serve as repayment of the converted loans. The remaining service payback loan balances will be repaid annually based on the provision of services for the remainder of the loan covenant terms, which will expire in 2016, 2019, and 2020.

After consideration and having provided an opportunity for public comment, the Vice-Chair moved to recommend approval of the recommendations contained in the August 16, 2016 CAO report and detailed in the above recommendations. Additionally, the Vice-Chair moved to recommend approval of an amended version of the Policy on Conversion of Former CRA/LA Loans into Service Payback Loans that was presented during the meeting. This matter is now submitted to Council for its consideration.

Respectfully Submitted,



COUNCILMEMBER FELIPE FUENTES, VICE-CHAIR
HOUSING COMMITTEE

| <u>MEMBER</u> | <u>VOTE</u> |
|----------------|-------------|
| CEDILLO: | ABSENT |
| FUENTES: | YES |
| HUIZAR: | ABSENT |
| PRICE: | YES |
| HARRIS-DAWSON: | ABSENT |

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8/17/16

-NOT OFFICIAL UNTIL COUNCIL ACTS-