

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 31, 2016

CAO File No. 0220-00540-1197

Council File No. 16-0886

Council District: 1

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Housing and Community Investment Department Transmittal dated August 8, 2016;
Received by the City Administrative Officer on August 9, 2016

Subject: **REQUEST FOR APPROVAL TO RESTRUCTURE DEBT AND PRESERVE THE AFFORDABILITY OF THE TC APARTMENTS AT 861-877 BUNKER HILL AVENUE**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, authorize the General Manager of the Housing and Community Investment Department (HCID), or designee, to:

1. Negotiate and execute loan amendments and/or documents to complete debt restructuring for the TC Apartments located at 861-877 Bunker Hill Avenue (Project), subject to approval by the City Attorney as to form, as follows:
 - A. Accept the principal reduction payment of \$666,537 for the existing former Los Angeles Community Redevelopment Agency (CRA/LA) loan CRA871383-001; and,
 - B. Amend the existing loan terms to write-off the accrued interest up to the date of principal pay down, currently estimated to be \$1,631,307, for CRA871383-001, to be written off over 20 years in equal installments, and subject to compliance with loan terms for tenant occupancy and affordability; and,
2. Negotiate and execute a subordination agreement for the Project wherein the City loan is subordinated to a new U.S. Department of Housing and Urban Development Federal Housing Administration Section 223(f) insured loan, subject to review and approval by the City Attorney as to form.

SUMMARY

The General Manager of the Housing and Community Investment Department (HCID) requests authority to restructure debt and extend the affordability covenant for the TC Apartments located at 861-877 Bunker Hill Avenue (Project). The debt restructuring will consist of a loan write-off of

the interest accrued up to the date of the principal pay down of \$666,534 for a former Los Angeles Community Redevelopment Agency (CRA/LA) loan. The accrued interest, currently estimated to be \$1,631,307, will be written off over 20 years in equal installments, and subject to compliance with loan terms for tenant occupancy and affordability. Additionally, the HCID requests authority to execute a subordination agreement wherein the City loan is subordinated to a new U.S Department of Housing and Urban Development (HUD) Federal Housing Administration (FHA) Section 223(f) multifamily insured loan. This Office concurs with the HCID's request.

BACKGROUND

On August 28, 1985, the former Los Angeles Community Redevelopment Agency (CRA/LA) provided a \$700,000 loan for the development of 20 units (19 units and one manager's unit) for the Project. The affordability restrictions for the low to moderate income housing project expires on June 26, 2015, or at full repayment of the loan, whichever is later.

The Project received additional state and federal funding that facilitated affordability for households that are at or below 80 percent of Area Median Income, as described in the Attachment to the HCID transmittal dated August 8, 2016. The California Housing Financing Agency (CalHFA) loan has an outstanding balance of \$121,211, and the affordability restrictions expired on August 1, 2016. The Project also has a Housing Assistance Payments (HAP) Contract from the HUD that provides rental subsidies so that tenants pay no more than 30 percent of their gross adjusted income towards rent. The HAP contract expires on October 7, 2016.

The HCID reports that the Project will receive a new HUD FHA Section 223(f) insured multifamily loan that will be used for the principal reduction payment of \$666,534 for the former CRA/LA loan, payment of the outstanding balance of the CalHFA loan, and housing rehabilitation. The HCID also reports that in exchange for restructuring the former CRA/LA debt, the Project will extend the HAP Contract for rental subsidies.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The City will receive a principal reduction payment in the amount of \$666,534 as part of restructuring a loan provided by the former Los Angeles Community Redevelopment Agency (CRA/LA). The debt restructure includes a loan write-off of accrued interest, currently estimated to be \$1,631,307, to be applied in equal installments over a 20-year period, and subject to borrower compliance with loan terms for tenant occupancy and affordability for 19 units located in Council District 1. The recommendations in this report are in compliance with the City's Financial Policies in that there is no additional cost to the City.