

HOUSING COMMITTEE REPORT relative to restructuring the debt and preserving the affordability of the TC Apartments.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

AUTHORIZE the General Manager, Housing and Community Investment Department (HCIDLA), or designee, to:

- a. Negotiate and execute loan amendments and/or documents to complete debt restructuring for the TC Apartments located at 861-877 Bunker Hill Avenue, subject to the approval of the City Attorney as to form and legality, as follows:
 - i. Accept the principal reduction payment of \$666,537 for the existing former Los Angeles Community Redevelopment Agency (CRA/LA) Loan No. CRA871383-001.
 - ii. 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 this loan, to be written off over 20 years in equal installments, and subject to compliance with loan terms for tenant occupancy and affordability.
- b. Negotiate and execute a subordination agreement for this project wherein the City loan is subordinated to a new United States Department of Housing and Urban Development (HUD) Federal Housing Administration (FHA) Section 223(f) insured loan, subject to the approval of the City Attorney as to form and legality.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that this action will not impact 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 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. The above recommendation is in compliance with City financial policies in that there is no additional cost to the City.

Community Impact Statement: None submitted.

SUMMARY

In a report to the Mayor and Council dated August 31, 2016, the CAO states that HCIDLA requests authority to restructure debt and extend the affordability covenant for the TC Apartments. The debt restructuring will consist of a loan write-off of accrued interest for the CRA/LA loan described above. HCIDLA also requests authority to execute a subordination agreement for this loan. The CAO recommends approval of HCIDLA's requests.

According to the CAO, on August 28, 1985, the CRA/LA provided a \$700,000 loan for the development of 20 units (19 units and one manager's unit). The affordability restrictions for low to moderate income expire 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. The California Housing Financing Agency 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 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 CAO goes on to report that that the HUD FHA insured multifamily loan that will be used for principal reduction payment for the former CRA/LA loan, payment of the outstanding balance of the CalHFA loan, and housing rehabilitation. In exchange for restructuring the former CRA/LA debt, the project will extend the HAP Contract for rental subsidies.

At its meeting held September 7, 2016, the Housing Committee recommended that Council authorize the HCIDLA to restructure the debt for the TC Apartments and to approve the related actions described above, as recommended by the CAO.

Respectfully Submitted,

HOUSING COMMITTEE



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

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-NOT OFFICIAL UNTIL COUNCIL ACTS-