

TRANSMITTAL

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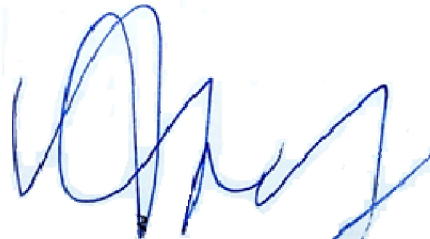
THE COUNCIL

Date: 11/04/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



HOUSING+COMMUNITY
Investment Department

Housing Development Bureau

1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

November 4, 2016

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: THE HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUEST FOR APPROVAL TO EXTEND THE TERM OF THE LOANS AND COVENANT REGULATORY AGREEMENTS AND MODIFY THE INTEREST RATES FOR THE ROSSMORE HOTEL APARTMENTS, SIMONE HOTEL APARTMENTS, AND WELDON HOTEL APARTMENTS AFFORDABLE HOUSING PROJECTS AND THE APPROVAL AND ADOPTION OF THE REQUIRED REPLACEMENT HOUSING PLAN AND RESOLUTION.

SUMMARY

The Skid Row Housing Trust (Trust) is recapitalizing and rehabilitating three affordable housing projects: Rossmore Hotel Apartments (Rossmore), Simone Hotel Apartments (Simone), and Weldon Hotel Apartments (Weldon). All three projects have existing loans from the HCIDLA or former Community Redevelopment Agency of the City of Los Angeles (CRA/LA). To support the recapitalizations, HCIDLA is requesting authority to extend the loan and regulatory terms to 55 years from the loan closing date and convert the existing interest rates for Rossmore and Simone to the Applicable Federal Rate (AFR) at the time of loan closing and convert the interest rate for Weldon to 1.06%, compounded annually.

The Rossmore received funding from the HCIDLA. The HCIDLA principal loan balance of \$1,462,400 will be combined with the accrued interest at the time of loan closing of approximately \$1,467,000 to form a new principal loan amount of approximately \$2,929,000. The new loan and regulatory term will

be 55 years from the loan closing date and the interest rate will be converted to the AFR at the time of loan closing, compounded annually.

The Simone and Weldon received funding from the former CRA/LA and have a contingent interest calculation provision contained within their respective Promissory Notes. The contingent interest provision requires that accrued interest is due and payable thirty (30) years from the date of issuance of the Certificate of Occupancy only to the extent that the fair market value of the property and improvements exceed the sum of the CRA/LA loan and the aggregate of the principal and accrued interest on any loan senior to the CRA/LA loan.

For Simone, the fair market value of the property and improvements exceeds the sum of the CRA/LA loan and the aggregate principal and accrued interest of the senior loan. The CRA/LA principal loan balance of \$1,550,000 will be combined with the accrued interest at the time of loan closing of approximately \$1,133,000 to form a new principal loan amount of approximately \$2,683,000. The new loan and regulatory term will be 55 years from the loan closing date and the interest rate will be converted to the AFR at the time of loan closing. The contingent interest provision will no longer be applicable to the Simone project.

For the Weldon, the fair market value of the property and improvements does not exceed the CRA/LA loan and there is no other senior loan on the property. The interest rate on the CRA/LA principal loan balance of \$3,589,000 will be converted to 1.06%, compounded annually. The accrued interest on the CRA/LA loan, at the time of loan closing, of approximately \$2,393,000 will not accrue any additional interest. The contingent interest provision will continue to be applicable to the accrued interest to date on the CRA/LA loan and be extended to 55 years from the loan closing date.

The rehabilitation of the Weldon will result in a reduction of four restricted housing units 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 58 to 54 units. As a result of the reduction in restricted housing units, the California Health and Safety Code requires that a Replacement Housing Plan be prepared and adopted by Resolution of the City Council. The Resolution approving the Skid Row Central 1 Replacement Housing Plan is included as Attachment A to this transmittal. The Skid Row Central 1 Replacement Housing Plan is included as Attachment B to this transmittal.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests the following for consideration:

- I. Your office schedule this transmittal with the appropriate Council Committee(s) for review and approval at the next available meeting(s) and forward it to the City Council for review and approval immediately thereafter;
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute amendments to three existing City loans for the Rossmore, Simone, and Weldon affordable housing projects. Amendments will include, but not be limited to, changes in loan principal balances, interest rates,

affordability periods, subordination, and assignment and transfer to a new limited partnership, subject to the approval of the City Attorney as to form and legality;

- B. Authorize the HCIDLA to extend the loan and regulatory term to 55 years from the date of loan closing and convert the loan interest rate to the Applicable Federal Rate published on the day of loan closing, compounded annually, and applied to the combined principal loan balance and accrued interest for the Rossmore project;
- C. Authorize the HCIDLA to extend the loan and regulatory term to 55 years from the date of loan closing and convert the loan interest rate to the Applicable Federal Rate published on the day of loan closing, compounded annually, and applied to the combined principal loan balance and accrued interest for the Simone project;
- D. Authorize the HCIDLA to extend the loan and regulatory term to 55 years from the date of loan closing and convert the loan interest rate for the principal loan balance to one and six hundredths percent (1.06%), compounded annually, not subject to the contingent interest calculation for the Weldon project;
- E. Authorize the HCIDLA to extend the term to 55 years from the date of loan closing and convert the loan interest rate to zero percent (0%) for the accrued interest at the time of loan closing for the Weldon project and to remain subject to the contingent interest calculation;
- F. Adopt the Resolution (Attachment A) and approve the Replacement Housing Plan (Attachment B); and
- G. 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.

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 permanent supportive housing so that people who have experienced homelessness, prolonged extreme poverty, poor health, disabilities, mental illness and/or addiction can lead safe, stable lives in wellness. The Trust manages and operates 24 buildings of permanent supportive housing for formerly homeless individuals in the Los Angeles area. In 2015, the Trust provided permanent housing and support to more than 1,800 formerly homeless and vulnerable men and women.

The Trust is recapitalizing and rehabilitating three of their properties: The Rossmore, Simone, and Weldon Hotel Apartments. The properties have existing loans from the Housing and Community Investment Department (HCIDLA) or former CRA/LA. No additional City funding will be required for the rehabilitation of the properties. Financing for the rehabilitations will 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 Rossmore is located at 905 E. 6th Street and contains 60 SRO apartments. The project was originally completed in 1996 and received funding assistance of \$1,858,500 from the HCIDLA. The HCIDLA loan will remain on the property and the interest rate will be adjusted to the AFR published on the day of the loan closing and applied to the combined principal loan balance and accrued interest. In addition, the loan term and affordability covenant will be extended 55 years from the date of loan closing.

The Simone is located at 520 San Julian Street and contains 115 efficiency apartments. The project was originally completed in 1992 and received funding assistance of \$1,550,000 from the former CRA/LA. The CRA/LA loan will remain on the property and the interest rate will be adjusted to the AFR published on the day of the loan closing and applied to the combined principal loan balance and accrued interest. In addition, the loan term and affordability covenant will be extended to 55 years from the date of loan closing.

The Weldon is located at 507 Maple Avenue and contains 58 supportive housing SRO apartments. The project was originally completed in 1996 and received funding assistance of \$3,703,713 from the former CRA/LA. The CRA/LA loan will remain on the property and the interest rate will be adjusted to 1.06%, compounded annually, on the principal loan balance and 0% on the accrued interest at the time of loan closing. In addition, the loan term and affordability covenant will be extended 55 years from the date of loan closing.

The rehabilitation of the Weldon will result in a reduction of four restricted housing units 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 58 to 54 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 attached Skid Row Central 1 Replacement Housing Plan identifies the Rossmore as replacement housing site for the four restricted units removed from the Weldon. Because the Weldon is located within the City Center Redevelopment Project Area and the Rossmore is located outside the City Center Project area, the four restricted units removed from the Weldon must be replaced with eight restricted units at the Rossmore. Therefore, in accordance with the attached Skid Row Central 1 Replacement Housing Plan, the HCIDLA will place long-term affordability covenants restricting eight units at the Rossmore at affordable housing cost to very low income households for the duration of the original CRA/LA covenants at the Weldon.

Recapitalization and rehabilitation of the Trust properties will accomplish several significant goals, including: preserving and extending affordability for individuals with special needs; retrofitting the major building systems, (e.g. roof, windows, electrical, plumbing and HVAC) to increase the physical lifespan and energy efficiency of each building; increasing operating income and establishing dedicated services funding; and addressing significant building amenities, such as accessibility and thermal comfort to make the buildings 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 Rossmore, Simone, and Weldon properties.

Attachments:

A. Resolution

B. Replacement Housing Plan

Prepared by:



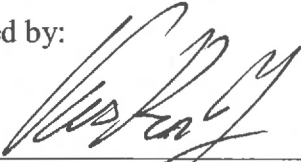
ROCHELLE COX
Finance Development Officer I
Loan Portfolio Unit

Reviewed by:



KORY SMITH
Finance Development Officer II
Loan Portfolio Unit

Reviewed by:



VASKEN DJANSEZIAN
Community Housing Programs Manager
Asset Management Division

Reviewed by:



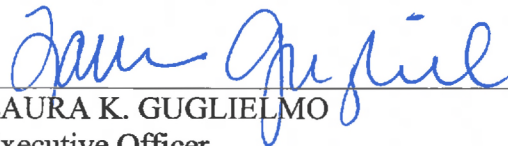
DOUGLAS SWOGER
Director
Asset Management Division

Reviewed by:



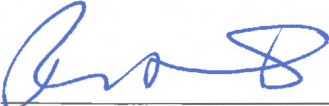
HELMY A. HISSERICH
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachment A

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES, ADOPTING THE REPLACEMENT HOUSING PLAN FOR FOUR (4) DWELLING UNITS TO BE REMOVED FROM THE HOUSING MARKET IN CONNECTION WITH THE PROPOSED REHABILITATION AND RECONFIGURATION OF THE WELDON HOTEL. THIS REDUCTION IN UNITS WILL ALLOW FOR THE CREATION OF AN UNRESTRICTED ON-SITE MANAGERS UNIT AND ADDITIONAL ON-SITE COMMUNITY SPACE FOR THE PROVISION OF SUPPORTIVE SERVICES FOR THE RESIDENTS. THE NUMBER OF RESTRICTED HOUSING UNITS WILL BE REDUCED FROM 58 TO 54 UNITS. THE WELDON HOTEL IS LOCATED AT 507 MAPLE AVENUE AND WITHIN THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT AREA. THE FOUR RESTRICTED UNITS REMOVED FROM THE WELDON HOTEL WILL BE REPLACED WITH EIGHT (8) UNITS AT THE ROSSMORE HOTEL. THE ROSSMORE HOTEL IS LOCATED AT 905 E. 6TH STREET AND OUTSIDE OF THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT AREA.

WHEREAS, pursuant to the provisions of the California Community Redevelopment Law, Health and Safety Code Section 33413.5, the staff of the City of Los Angeles, a municipal corporation, acting on its own behalf, and by and through the Los Angeles Housing and Community Investment Department (HCIDLA) as successor to the housing assets and housing functions of the 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 ("HCIDLA"), has prepared a Replacement Housing Plan, a copy of which is attached hereto as Attachment B, for the rehabilitation and retrofitting of the existing Weldon Hotel and the replacement of four restricted units with eight (8) units within the Rossmore Hotel.

WHEREAS, The combined properties of the Weldon Hotel and the Rossmore Hotel make up the Skid Row Central 1 housing project.

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

WHEREAS, Skid Row Housing Trust plans to remove four restricted units from the Weldon Hotel in order to rehabilitate and improve the Weldon Hotel;

WHEREAS, Skid Row Housing Trust will replace the four restricted units with eight restricted units within the Rossmore Hotel; 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.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

The recitals herein above set forth are true and correct, and the Council so finds.

The City finds the proposed Replacement Housing Plan to be in conformity with the provisions of the California Community Redevelopment Law and the Redevelopment Plan for the Central Business District of Los Angeles, and hereby approves and adopts the Replacement Housing Plan for the Skid Row Central 1 Project.

The Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED BY THE CITY COUNCIL of the City of Los Angeles this _____ day of _____, 2016 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 _____, 2016.

By: _____
City Clerk

(SEAL)

Attachment B

SKID ROW CENTRAL 1 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 113-unit residential housing development, Skid Row Central 1 (the "Project"), located at 905 E. 6th Street and 507 Maple Avenue, Los Angeles, California. The Plan will recount the CRA/LA financing and covenants affecting 507 Maple Avenue (the "Property"), explain the planned renovation of the Project, 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 507 Maple Avenue, in which SRHT agreed to develop and acquire the property at that address. Accordingly, on September 20, 1991, as Instrument No. 91-490928 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 6, 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 newly constructed SRO units at 507 Maple Ave as 58 units, and that 2 of those 58 units were to be utilized as on-site management units. Therefore, on May 20, 1993, an Amendment to Agreement Containing Covenants Affecting Real Property was recorded as Instrument No. 93-962563 in the official records of Los Angeles County, which specified that 100% of the newly constructed 58 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 Nov 16 1995.

The Property is one of two buildings comprising the present Project. SRHT plans to rehabilitate the existing building at 507 Maple Ave and at 905 E 6th Street, each of which is wholly owned by SRHT. The Project is an occupied rehabilitation, and no permanent relocation is anticipated. Residents will be temporarily relocated to another unit within the Project for durations of less than 30 days while work is performed in units.

The Project includes 113 units, 111 of which are restricted affordable SRO units. The Weldon currently has 58 SRO units restricted by CRA covenant. As part of planned rehabilitation at the Project, the restricted unit count at the Weldon will be reduced from 58 restricted units to 54 restricted units. Two units 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 manager's unit will be unrestricted, and will remain in use as an unrestricted manager's unit. One manager's unit will be removed and converted into additional on-site community space for the provision of supportive services.

The Rossmore Apartments has no financing or covenant from the CRA/LA, and will serve as the replacement housing site for the Property. The Rossmore Apartments is an existing building owned by the SRHT that will contain 58 units following planned rehabilitation, including 57 restricted SRO units. The Weldon is located in the City Center Project Area; the Rossmore Apartments is located outside the City Center Project Area. Therefore the reduction of 4 restricted units at the Property will be replaced with an 8 unit covenant at the Rossmore Apartments.

II. The Project

The Project will accomplish several significant goals for the properties at 905 E 6th Street and 507 Maple, including: (1) preserving and extending affordability and a commitment to house individuals with special needs; (2) retrofitting the major building systems (e.g. roof, windows mechanical, electrical, plumbing, HVAC) to increase the physical lifetime and energy efficiency of each 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 within the Project at the 905 E 6th Street site, which will ensure comparability of units.

III. Description of Dwelling Units to be Demolished

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

Project Address	Dwelling Units	Bedrooms	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Anticipated Removal	Anticipated Replacement Date
507 Maple Ave	4	0	0	4	0	0	December 2016	December 2020

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 8, if the

beds are located in a project outside the project area, and 4 if they are located within the City Center Project Area. The SRHT will locate 8 replacement units at the Rossmore Apartments at 905 E 6th 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 905 E 6th Street. This housing is existing, comparable housing. The Project shall be financed with Tax Exempt Private Activity Bonds, four percent Low Income Housing Tax Credits, competitive state tax credits, California Housing and Community Investment Department Veterans Housing and Homelessness Prevention funds and Federal Home Loan Bank of San Francisco Affordable Housing Program Funds. SRHT has secured commitments from all funding sources. SRHT is also in the process of recasting existing loans from the CRA/LA at the Property, and HCIDLA at the Rossmore Apartments. Additionally, SRHT has secured operating subsidy commitments from Los Angeles County Department of Health Services Flexible Housing Subsidy Pool, as well as existing Shelter Plus Care subsidies provided by the Housing Authority of Los Angeles. SRHT will utilize the Rental Assistance Demonstration Program to convert existing project based rental assistance at the Rossmore Apartments to Project Based Vouchers. All units at the Rossmore will be included in the Project Based Voucher contract. All 8 proposed replacement units will have a Project Based Voucher and as such any tenant will pay 30% of his or her income in rent.

Performance Timetable

Action Item	Deadline
Secure All Funding Commitments	6/16/2016
Start Renovation	12/5/2016
Complete Renovation	3/31/2018
Ensure all replacement housing covenants recorded	12/5/2020

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.

