

HOUSING

HOMELESSNESS AND POVERTY

MOTION

On January 16, 2018, the Mayor and City Council approved the recommendations of the Homelessness and Poverty Committee and Housing Committee, relative to a sole source sale of the City-owned parcels located at 8707-8727 South Menlo Avenue (APN 6038-010-902) and 8742-8752 South Vermont Avenue (APNs 6038-010-903 and 6038-010-904) to 88th & Vermont LP, for a price determined by reuse studies of the value of the City-owned properties (C.F. No. 17-0539). The sole source sale was requested to facilitate the development of the 88th & Vermont permanent supportive housing project located in South Los Angeles, which will provide 62 units of residential housing consisting of 60 units for homeless, chronically homeless, and low income households and two Manager's units, as well as a youth and community center. The project will be constructed on the aforementioned City-owned property and adjacent property owned by 88th & Vermont LP.

The Committees' recommendations included a request that the City Attorney prepare and present to City Council an ordinance authorizing the sale of the City-owned parcels, and an instruction to HCIDLA to collaborate with the City Attorney in the preparation of a Purchase and Sale Agreement or similar appropriate land conveyance document, and negotiate and execute the land conveyance document upon final adoption of the ordinance.

Due to the lead time required to approve the sales ordinance and execute the conveyance agreement, coupled with timing constraints imposed by the tax credit allocation agency's construction loan closing deadline, the development team (City, LP, senior lender, and investor) agreed that the City and LP would enter into a ground lease prior to the construction loan closing deadline in order to secure site control for the LP; construction would commence shortly thereafter, and the City would finalize the sale of the City property after the loan closing, upon approval of the ordinance. HCIDLA had received Mayor and Council authority to enter into a ground lease with the LP on June 14, 2017 (C.F. No. 17-0539), prior to HCIDLA being granted authority to hold, manage and sell City property.

The lease was recorded on March 1, 2018. As negotiations continued, the senior lender and the LP determined that the senior lender's security interest would be unduly exposed during the construction period if a sales agreement were to be recorded subsequent to the recordation of the lease and commencement of construction. This created an untenable situation that put the project at risk of missing the loan closing deadline, which would jeopardize the \$9.7 million in HHH Housing funds, \$3.2 million in HHH facilities funds, and \$16 million in tax credit equity committed to the project. The development team concluded that rather than selling the City property to 88th & Vermont LP, the City could sell the property to the LP's Managing General Partner, 88th & Vermont MGP LLC. The Managing General Partner would hold the land until construction was complete and any construction liens were removed, prior to transferring the fee interest to the LP. This change would solve the issue of potential exposure of the senior lender's interest, thereby ensuring that the project meets its loan closing deadline, preserves all committed funding, and begins construction as scheduled.

88th & Vermont LP is comprised of two General Partners: Community Build Housing LLC (of which Community Build, Inc. is its sole member) and 88th & Vermont MGP LLC (of which Women Organizing Resources, Knowledge and Services ("WORKS") is the sole member. HCIDLA previously made findings to support a sole source lease and sale to 88th & Vermont LP in reports which were adopted by the Mayor and Council on June 14, 2017 and January 16, 2018 (C.F. No. 17-0539).

Because 88th & Vermont MGP LLC is the Managing General Partner of the Limited Partnership, many of the same justifications for sole source authority apply. Specifically, it would be incompatible with City interests to competitively bid the City-owned property to interested parties other than 88th & Vermont MGP LLC because: 1) 88th & Vermont MGP LLC, as one of the entities of the Limited Partnership, retains an ownership interest in the parcel adjacent to the City-owned property, and the proposed project will span all parcels; 2) 88th & Vermont MGP LLC's Co-General Partner, Community Build, is currently providing community services and programming on the site owned by the Limited Partnership; 3) it is consistent with Council's previous actions and the understanding

MAR 09 2018



ORIGINAL

between the City and Co-General Partners that the project site would include the City property; 4) 88th & Vermont MGP LLC, acting in the capacity of project developer, has successfully applied for various sources of funding, undertaken predevelopment work on the project, and incurred expenses for such work; 5) through previous contracts with the City, WORKS (the sole member of 88th & Vermont MGP LLC) has demonstrated its ability to develop, operate and maintain affordable housing; 6) given the progress already achieved by the Co-General Partners, they can most readily complete the development and operation of the project as proposed; 7) given the site control issue the project is currently facing and the conclusion reached by both Co-General Partners and the City, it is a reasonable determination that the best course of action is to allow 88th & Vermont MGP LLC to be the recipient of the City property on behalf of the Limited Partnership until such time as the land can be transferred to the Limited Partnership without jeopardizing the project's construction financing; and 8) the sale to 88th & Vermont MGP LLC would facilitate the LP's forward momentum in developing the project, which is consistent with Council's expressed intent to expedite the beneficial use of the City-owned property for the purposes of creating affordable housing.

I THEREFORE MOVE that the Council **RESCIND** its action of January 16, 2018 authorizing the sale of City-owned parcels located at 8707-8727 South Menlo Avenue (APN 6038-010-902) and 8742-8752 South Vermont Avenue (APNs 6038-010-903 and 6038-010-904) to **88th & Vermont LP** (C.F No. 17-0539); and

I FURTHER MOVE that the Council determine that pursuant to Section 7.27 of the Administrative Code, the public interest or necessity requires the sale of the above-identified parcels to the **88th & Vermont MGP LLC**, for a price determined by reuse studies of the value of the City-owned properties, without notice of sale or advertisement for bids; and

I FURTHER MOVE that the City Council, subject to the approval of the Mayor, take the following actions:

1. Approve the sale of the City-owned parcels located at 8707-8727 South Menlo Avenue (APN 6038-010-902) and 8742-8752 South Vermont Avenue (APNs 6038-010-903 and 6038-010-904) to 88th & Vermont MGP LLC, for a price determined by reuse studies of the value of the City-owned properties;
2. Request the City Attorney to prepare and present an ordinance authorizing the sale of the above-identified parcels to 88th & Vermont MGP LLC;
3. Instruct HCIDLA, with the assistance of the City Attorney, to prepare a Purchase and Sale Agreement or similar appropriate document to sell the above-identified parcels to 88th & Vermont MGP LLC, subject to the satisfaction of all conditions and criteria stated in the City's Affordable Housing Managed Pipeline regulations, this document, and the City HHH and HOME Loan Agreements; and
4. Authorize HCIDLA and the City Attorney to make necessary modifications to the City HHH and HOME Loan Agreements relative to the changes requested herein.

PRESENTED BY:



MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY:

