

MOTION

Through previous Council actions, numerous steps were taken to assemble certain City-owned parcels for eventual conveyance to an affordable housing limited partnership consisting of Community Build Inc., WORKS, and a limited partner investor (to be admitted into the partnership at a later date), for the purposes of developing the 88th and Vermont permanent supportive housing project. The proposed development is to be situated on Department of Transportation (DOT) Lot 623, located at 8707 South Menlo Avenue (APN 6038-010-902), as well as two parcels located at 8742 and 8750 South Vermont Avenue (APNs 6038-010-903 and 904) owned by the Department and Recreation and Parks (RAP) and parcels owned by Community Build.

On March 17, 2015, the Council authorized DOT, on behalf of the City, to execute a short-term option agreement with Community Build Inc., to ground lease DOT Lot No. 623 in order to allow the developer to formulate the deal terms and further investigate the feasibility of utilizing the DOT property as part of a proposed 62-unit housing development and community center (C.F. 14-0419-S1). The two-year option agreement was executed in June 2015. Also in June 2015, a Fair Reuse Appraisal was obtained, which assigned a negative value to the property due to the imposed conditions and covenants. A Fair Reuse Value appraisal for the RAP parcels has not yet been conducted.

More recently, Council authorized both DOT (C.F. 14-0419-S2) and RAP (C.F. 16-1202) to effectuate Non-financial Transfers of Jurisdiction and Control of their respective properties to the Housing and Community Investment Department (HCIDLA), with the intent that HCIDLA would convey the properties to the limited partnership via a long-term ground lease or sale. Both transfers have been fully executed and recorded.

In the interim, the project has been recommended for Affordable Housing Trust Fund and Proposition HHH funding awards, and is scheduled to compete for tax credits in the upcoming allocation round in June. In order to convey site control of the City-owned parcels to the developer prior to the June tax credit application deadline, the option agreement must be amended. To satisfy the site control requirements of the tax credit allocation committee and the equity investor, the lease term must be considerably longer than the tax credit compliance period of 55 years. Government Code 373880 and Civil Codes 718 and 719 allow for leases to extend beyond 55 years, but not to exceed 99 years, if the lease is subject to periodic review by the City and shall take into consideration the market conditions at the time of the review.

I THEREFORE MOVE that the City Council authorize the Housing and Community Investment Department (HCIDLA), in consultation with the City Attorney, to either negotiate an Amended and Restated Option Agreement or new Option Agreement with 88th & Vermont Limited Partnership (LP), with said Agreement to expire on February 28, 2018 for the City-owned parcels at 8707 South Menlo Avenue (APN 6038-010-902) and 8742 and 8750 South Vermont Avenue (APNs 6038-010-903 and 904); admit the limited partner investor to the LP; and instruct HCIDLA to report to Council with the Option Agreement.

I FURTHER MOVE that the City Council authorize HCIDLA to negotiate a Lease Agreement with 88th & Vermont LP for the City-owned parcels at 8707 South Menlo Avenue and 8742 and 8750 South Vermont Avenue and instruct the department to report to Council with the terms and conditions of the Lease Agreement once negotiated.

I FURTHER MOVE that the City Council instruct HCIDLA to update the Fair Reuse Value appraisal for the City-owned parcel at 8707 South Menlo Avenue and obtain a Fair Reuse Value appraisal for the City-owned parcels at 8742 and 8750 South Vermont Avenue; and to utilize the Fair Reuse Value appraisals to determine the ground lease payment.

PRESENTED BY:

MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY:

MAY 12 2017

ORIGINAL