



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. **19-0067**
MAR 08 2019

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING CONVEYANCE OF
8707-8727 SOUTH MENLO AVENUE AND
8742-8746 AND 8750-8752 SOUTH VERMONT AVENUE, LOS ANGELES
(COUNCIL DISTRICT 8)**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Council File No. 17-0539

Honorable Members:

Pursuant to your request, this Office has prepared and now transmits for your consideration, approved as to form and legality, the enclosed draft ordinance authorizing the conveyance of three parcels of City-owned real property consisting of: (1) a parking lot located at 8707-8727 South Menlo Avenue (Menlo); and (2) two vacant parcels located at 8742-8746 and 8750-8752 South Vermont Avenue (Vermont), Los Angeles, CA 90044 (collectively referred to as the Property) to 88th & Vermont MGP, LLC, a California limited liability company (Buyer).

Proposed Project

Women Organizing Resources, Knowledge and Services (WORKS), a non-profit affordable housing developer (and managing member of Buyer), submitted a proposal for financing to the Los Angeles Housing and Community Investment Department (HCIDLA) under the May 2015 Call for Projects for the development of a 62-unit affordable permanent supportive housing project referred to as the "88th & Vermont

Permanent Supportive Housing (PSH) Development and Community Center” (the Project).

WORKS proposed that the Project be developed on five contiguous parcels of property, two are controlled by the Buyer and three owned by the City (consisting of the Property). The City-owned parcels are currently being leased to 88th & Vermont LP, a California limited partnership (88th and Vermont LP). Buyer is the Managing General Partner of 88th and Vermont LP.

Transfer to HCIDLA

On or about October 25, 2016, City Council authorized the transfer of the Menlo property to HCIDLA and on or about January 31, 2017, City Council authorized the transfer of the Vermont property to HCIDLA.

Conveyance of City Property over Lease

Pursuant to HCIDLA's Property Disposition Policy adopted on November 21, 2017, where feasible, it will utilize long term ground leases for the development of affordable housing projects on publically owned land. However, exceptions to this general policy include when a project requires the assembly of multiple contiguous parcels, where common ownership will benefit the long-term management of the property. Under such circumstances, HCIDLA may opt to convey the property at fair market value or fair reuse value, subject to the affordable housing restrictions and other requirements as may be applied to the project. Here, HCIDLA has determined that bringing the parcels under single ownership would benefit the development and long term management of the Project.

Property Conveyance Information:

In April 2018, City Council made a sole source determination and approved the sale of the Property to Buyer at a price to be determined by reuse studies. The conveyance was deemed to be in the public interest because: (1) the Property was to be used for the development of the Project; (2) Buyer has control of the two adjacent parcels to be a part of the Project; (3) common ownership of the five contiguous parcels would be more conducive to the development and on-going management of the Project; and (4) Buyer had already secured sources of financing for the Project, including a Tax Credit Allocation, HOME funds, Proposition HHH financing, private lender financing and equity investment commitments.

Pursuant to Los Angeles Administrative Code (LAAC) Section 22.606.2(c), HCIDLA is authorized to convey any interest owned or controlled by the City in real property at its fair re-use value provided there is one or more agreements in place and one or more deed restrictions recorded, requiring the development, use and

maintenance of the property for affordable housing purposes for a period of time as is determined by HCIDLA.

In December of 2018, CSG Advisors, Incorporated (CSG) prepared reports as to the estimated fair re-use value of the Property. CSG determined that even if Buyer received the Property at no cost, the financing sources (including the required development restrictions), less project development costs, left residual land values of negative \$238,000 for the Menlo Property and negative \$68,000 for the Vermont Property, making the fair re-use price for the Property \$0.00.

The conveyance is in conformance with the provisions of Section 385 of the Los Angeles City Charter and Sections 7.27, 7.27.3 and 22.606.2(c) of the LAAC.

CEQA Exemption and NEPA Compliance

The Project is statutorily exempt from provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15194 (Affordable Housing Exemption) of the State CEQA Guidelines. Pursuant to 24 CFR Part 58, an Environmental Assessment/Finding of No Significant Impact was prepared for the Project in compliance with the National Environmental Policy Act (NEPA).

Council Rule 38 Referral

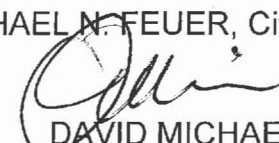
A copy of the draft ordinance was sent, pursuant to Council Rule 38, to HCIDLA with a request that all comments, if any, be transmitted directly to Council or its committees when this matter is considered.

If you have any questions regarding this matter, please contact Deputy City Attorney Mei-Mei Cheng at (213) 922-8374. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By


DAVID MICHAELSON
Chief Assistant City Attorney

DM:MMC:sw
Transmittal