

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 21, 2019

CAO File No. 0220-05569-0000

Council File No. 17-0539

Council District: 8

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer



Reference: Housing and Community Investment Department (HCID) transmittal dated February 5, 2019; Received by the City Administrative Officer on February 7, 2019; Additional Information Received through March 18, 2019

Subject: **REQUEST FOR APPROVAL TO EXECUTE AN OWNER'S PARTICIPATION AGREEMENT WITH 88TH & VERMONT MGP, LLC FOR THE 88TH & VERMONT SUPPORTIVE HOUSING PROJECT**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:

1. Execute an Owner's Participation Agreement for the conveyance of City-owned property located at 8707-8727 South Menlo Avenue (APN 6038-010-902) and 8742 and 8750 South Vermont Avenue (APNs 6038-010-903 and 904) to 88th & Vermont MGP, LLC for the 88th & Vermont supportive housing project; and,
2. Make technical adjustments to existing legal documents related to the project, consistent with Mayor and Council actions, subject to the approval of the City Attorney as to form and legality.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to execute an Owner's Participation Agreement (OPA) with 88th & Vermont MGP, LLC for the 88th & Vermont supportive housing project, and to make any technical adjustments to existing documents related to the project to finalize the conveyance of City-owned properties for the development of affordable housing, subject to approval of the City Attorney. There are currently \$9,680,000 Proposition HHH (HHH) and \$1,900,000 Home Investment Partnerships Program (HOME) Loan Agreements for this project, which will be amended to reflect the execution of the OPA. The term of the OPA will be based on the date of the last recorded re-conveyance of the HHH and Home Deeds of Trust and last recorded termination of the Rental Covenant and Home and HHH Regulatory Agreements. The

term of the Regulatory Agreements is 55 years from project completion (issuance of Temporary Certificate of Occupancy or the Certificate of Occupancy and final drawdown of construction funds disbursed, among other requirements). The term of the Rental Covenant is 55 years from Certificate of Occupancy.

On March 8, 2019, the City Attorney released a report and draft Ordinance for the conveyance of three City-owned properties to 88th & Vermont MGP, LLC for the fair re-use price of \$0.00, consistent with the Housing Development Land Conveyance Policy approved by City Council (C.F. 17-0862). According to the policy, HCID will execute long-term ground leases for the development of affordable housing projects on publicly owned land, except when projects require the assembly of multiple contiguous parcels, or where common ownership will benefit the long-term management of the property. Additional information on the fair re-use price for the City-owned properties is included in HCID's transmittal dated February 5, 2019.

The HCID reports that final conveyance of the City-owned properties is required prior to construction completion, which is expected by October of this year. The project will result in 60 units for homeless, chronically homeless, and low-income individuals and families, and two manager units. In addition, there will be a youth and community center, which is funded by \$3,245,154 in HHH bond proceeds through the Facilities Program. Our Office concurs with the recommendations of the Department.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report are in compliance with the City's Financial Policies in that there is no additional cost to the City. The City's financial commitments to the 88th & Vermont supportive housing project are fully funded by the HOME Investment Partnerships Program Fund and Proposition HHH General Obligation bond proceeds.

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