



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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

December 28, 2017

Council File: 12-0049-S5; 15-0220;
17-0862; 17-0539
Council Districts: Citywide
Contact Persons: Mariana Lem (213) 808-8966
Helmi Hisserich (213) 808-8662
Sean Spear (213) 808-8464
Tim Elliott (213) 808-8596

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

ADDENDUM NO. 1 TO COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR APPROVAL TO EXECUTE DISPOSITION AND DEVELOPMENT AGREEMENTS AND OWNERS PARTICIPATION AGREEMENTS FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON CITY-OWNED PROPERTIES

The Los Angeles Housing and Community Investment Department (HCIDLA) submitted a transmittal dated December 20, 2017 (C.F. 17-0862) requesting that the Mayor and City Council authorize various actions related to the disposition and development of housing assets currently owned by the City of Los Angeles to maximize the use of public land for the construction of affordable housing. The housing assets referenced in the report consisted of properties transferred to HCIDLA from the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA).

The General Manager of HCIDLA respectfully requests that the aforementioned transmittal be amended to add the following recommendations, which would allow for the disposition of two City-owned properties for the development of the 88th & Vermont permanent supportive housing project (Project). The two City-owned properties were not former CRA/LA assets, but were previously approved for conveyance to 88th & Vermont, LP, the affordable housing development entity, for the construction and operation of the Project. In addition to the conveyance of the City-owned property, the City's investment includes Proposition HHH Housing and Facilities funds, Home Investment Partnership Program (HOME) funds, and Section 8 Project Based Vouchers (PBV) from the Housing Authority of the City of Los Angeles (HACLA). Initially, it was intended that the recommendations contained herein would be presented under a separate transmittal, but due to the similar nature of the request and the timing constraints associated with the Project's LIHTC award, it was determined that immediate action was required in order to keep the Project on track to meet its State funding deadlines.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and Council adopt the recommendations below, in addition to the recommendations provided in the HCIDLA transmittal dated December 20, 2017:

- I. That this addendum be incorporated into the HCIDLA Transmittal dated December 20, 2017 (Council File 17-0862), to be considered at the next available meeting(s) of the City Council Committee(s) for review, and forwarded to the City Council for consideration and approval; and,
- II. That the City Council, subject to the approval of the Mayor, take the following actions:
 - A. Determine that pursuant to Section 7.27 of the City's Administrative Code, the public interest or necessity requires 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, LP, for a price determined by reuse studies of the value of the City-owned properties, without notice of sale or advertisement for bids; and,
 - B. Approve the disposition 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; and,
 - C. Request the City Attorney to prepare and present an ordinance authorizing 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) for Council approval; and
 - D. Instruct HCIDLA to collaborate with the City Attorney to prepare a Purchase and Sale Agreement or similar appropriate land conveyance document, subject to the satisfaction of all conditions and criteria stated in the Affordable Housing Managed Pipeline regulations, this document, and the City HHH and HOME Loan Agreements; and
 - E. Authorize HCIDLA to prepare and implement any necessary technical adjustment(s), consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer and Chief Legislative Analyst, and subject to the approval of the City Attorney as to form and legality.

BACKGROUND

On December 20, 2017, HCIDLA released a transmittal with recommendations to execute Disposition and Development Agreements and Owner Participation Agreements with various developers selected from the Housing Dispositions and Development RFP and RFQ/P released in December 2015 and April 2016 respectively, resulting in the development of five permanent supportive housing projects with no impact to the General Fund.

Subsequent to the release of the aforementioned transmittal, HCIDLA determined it was necessary to include the disposition request for two additional City-owned properties, to facilitate the land assemblage and development of the proposed 88th & Vermont permanent supportive housing project, which consists of a 62-unit residential development for homeless, chronically homeless, and low income individuals and families, in addition to a youth and community center. The Project is to be constructed on contiguous parcels owned by 88th & Vermont, LP, and property formerly owned by the Los Angeles Department of Transportation (LADOT) and the Los Angeles Department of Recreation and Parks (RAP).

In October 2016 and January 2017, respectively, the LADOT and RAP properties were transferred to HCIDLA for eventual conveyance to the limited partnership development entity in preparation to compete in a future LIHTC

allocation round (C.F. 14-0419-S2 and 16-1202). In June 2017, the Mayor and Council granted sole source authority for the below-market conveyance of the City-owned properties via an Amended and Restated Lease Option Agreement (C.F. 17-0539) in order to provide site control of the City parcels to 88th & Vermont, LP, for its July 2017 LIHTC application. Included in the approval was an instruction for HCIDLA to return to the Mayor and Council at a future date for authorization to execute a lease agreement.

In September 2017, the Project received an allocation of LIHTC from the California Tax Credit Allocation Committee (TCAC). TCAC regulations require that projects receiving an allocation of LIHTC close their construction financing within 180 to 194 days of the award. For the 88th & Vermont project, the construction closing deadline is April 2, 2018. As work commenced toward meeting the loan closing milestones, it became apparent that conveying the City-owned property through a lease structure was problematic in terms of securing equity from a LIHTC investor and in obtaining building permits, due to the Project's underlying land being under two different ownership entities.

In November 2017, Ordinance No. 185283 was adopted by the City Council, providing HCIDLA with the ability to receive, manage, and dispose of City-owned properties identified as potential housing sites (C.F. 17-0862). The ordinance becomes effective on January 15, 2018. Council File No. 17-0862 also included approval of the Housing Development Land Conveyance Policy, which allows for the sale of City-owned properties at fair reuse value where appropriate. In the case of 88th & Vermont, it was determined that such a sale is the best course of action. Resolving the land ownership issue will facilitate negotiations with the tax credit investor and streamline and simplify the process of applying for building permits. Because of the hard deadlines imposed by TCAC and the multiple approvals needed, it is crucial that the land assembly be finalized earlier rather than later in the construction loan closing timeline.

The justification for sole source authority to sell the City-owned property is the same as the justification for the sole source lease option, which the Mayor and Council previously approved under Council File No. 17-0539. Specifically, it would be incompatible with City interests to competitively bid the City-owned properties to interested parties other than 88th & Vermont, LP, because: 1) the limited partnership currently owns the parcel adjacent to the former RAP property and across an alley from the former LADOT property, and the proposed Project will span all four parcels; 2) Community Build (CB), a Co-General Partner of the Project, is currently providing community services and programming on the site owned by the limited partnership, and has planned to incorporate the City-owned property into the plans for the proposed development; 3) the limited partnership has executed an agreement with the City to incorporate the City-owned property into the overall development plan; 4) It is consistent with Council's previous actions and the understanding between the City and Project Co-General Partners that the Project site would include the former LADOT and RAP properties; 5) Co-General Partners CB and Women Organizing Resources, Knowledge, and Services (WORKS), have undertaken predevelopment work on the Project and incurred expenses for such work; 6) The Co-General Partners have secured HOME and Proposition HHH Housing and Facilities financing, private lender financing, and equity investment commitments for development of the Project; 7) Through previous contracts with the City, CB and WORKS have demonstrated their respective abilities in providing social services and the development of affordable housing; 8) Given the progress already achieved, CB and WORKS can most readily complete the development and operation of the Project as proposed; and, 9) Development of the Project by 88th & Vermont, LP, would facilitate Council's expressed intent to expedite the beneficial use of the City-owned property for the purpose of creating affordable housing, and will assist the City in attaining its goals as stated the Comprehensive Homeless Strategy.

FISCAL IMPACT STATEMENT

There is no fiscal impact on the General Fund as a result of the actions contained herein. Approval of the recommendations in this report would assist the Project in meeting its construction closing deadline and retain its commitments of \$1.9 million in HOME, 19 HACLA PBV, \$9.7 million and \$3.2 million in HHH Housing and HHH Facilities funds, respectively, and a combined \$16.9 million in conventional financing and tax credit equity.

Prepared By:



LISA SHINSATO
Finance Development Officer I

Reviewed By:



TIMOTHY ELLIOTT
Community Housing Program Manager

Reviewed By:




EDWIN C. GIPSON II
Director of Housing

Reviewed By:



SEAN L. SPEAR
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager