



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R 18 - 0372
DEC 07 2018

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF CITY-OWNED PROPERTY
LOCATED AT 2600 HOOVER STREET AND 954 WEST ADAMS BLVD,
LOS ANGELES, CALIFORNIA
(COUNCIL DISTRICT 9)**

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

Honorable Members:

As requested by the City Council, this Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This ordinance authorizes the sale of City-owned real properties at 2600 Hoover Street and 954 West Adams Blvd, Los Angeles, CA 90007 (collectively, the Property) to Casa de Rosas Campus, L.P., a California limited partnership (Buyer).

Background

The Property consists of four vacant buildings which are on the federal Historical Register. The Property was acquired by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in 2009 via foreclosure of a loan consisting of Low and Moderate Income Housing Funds. The Property was acquired subject to an existing loan secured by a lien in the amount of \$1,820,725.73 stemming from a loan to prior owner from the California Department of Housing and Community Development (HCD) (HCD lien).

The Property was transferred to the Los Angeles Housing and Community Investment Department (HCID) on or about May 2013 as part of the CRA/LA's housing assets.

Sale Information

In December of 2015, City Council authorized HCID to release an RFP for the development of the Property. Ward Economic Development Corporation, a California non-profit corporation (WEDC) and Integral Development LLC, a Georgia limited liability company (Integral) (collectively referred to as WEDC/Integral) received the highest score out of the four proposals submitted and was selected to develop the Property. As required for the award of tax credits for the Project, WEDC/Integral subsequently created a limited partnership with WEDC as its managing general partner and Integral as the developer general partner.

The Buyer is required to rehabilitate the Property for use as a 36-unit affordable housing project (the Project), each unit of which will be income and rent restricted for veteran households at or below Very Low Income pursuant to California and Health & Safety Code Section 50093. The income and restrictions will remain for a period of 55-years from the date of the Certificate of Occupancy or Certificate of Completion, whichever is applicable to the Project. Twenty-two (22) of the units at the Project will be used as permanent supportive housing. A City regulatory agreement will be recorded against the Property to secure the above-referenced rent and income restrictions at the Project.

In November 2018, HCID obtained an appraisal which valued the Property at \$2,313,275 (i.e. full appraised value of \$4,134,000 minus the HCD lien). The Buyer is in the process of assuming the HCD lien plus any accrued interest. The assumption of the HCD lien is a condition precedent to this sale and the issuance of the City loan to the Buyer. The sales price for the Property will be full appraised value minus the HCD lien to be assumed by the Buyer, plus any accrued interest thereon as of the date of the assumption.

The sale will be financed with a 57-year City loan in the amount of the sales price to Buyer secured by a note and deed of trust. The City loan will bear 3% simple interest and the annual City loan payment will be equal to 50% of residual receipts which is the revenue remaining after various operating expenses have been paid.

Sale of City Property Instead of Lease

HCID's Property Disposition Policy adopted on November 21, 2017, which favors long term ground leases for the development of affordable housing projects on publically owned land where feasible, is not applicable to this transaction because the policy was issued after the RFP for the Project was released.

California Environmental Quality Act (CEQA)

This sale of City-owned surplus property is not expected to result in a significant effect on the environment and, therefore, is categorically exempt from the provisions of CEQA per California Code of Regulations Section 15312 and Article III, Class 12 of the City of Los Angeles CEQA Guidelines.

Council Rule 38 Referral

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to HCID with a request that any comments 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 questions you may have.

Sincerely,

MICHAEL N. FEUER, City Attorney

By 
DAVID MICHAELSON
Chief Assistant City Attorney

DM:MMC
Transmittal