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CITY ATTORNEY

REPORT NO. R 18 - 0 3 5 9
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REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF CITY-OWNED PROPERTY TO
COALITION FOR RESPONSIBLE DEVELOPMENT LOCATED AT 6901, 6905, 6906,
6915 SOUTH MAIN STREET 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 property at 6901, 6905, 6906, 6915 South Main Street, Los Angeles, CA 90003 (collectively, the Property) to Coalition for Responsible Community Development, a California non-profit public benefit corporation (CRCD). CRCD was selected by the City through a competitive process.

Background

The Property consists of four vacant lots totaling 19,254 square feet which were acquired by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) over the period from 2006 to 2010. In April of 2006, 6901 and 6905 South Main were transferred to the CRA/LA as the result of a public nuisance and abatement lawsuit. In July of 2008, the CRA/LA purchased 6915 South Main for \$201,509 using CD 9 Housing Trust Series D Bond Proceeds, and in March of 2010, it purchased 6909 South Main Street for \$575,000 using Bunker Hill Replacement Housing Trust Funds.

To the best of the City's knowledge, the Property has been continuously maintained as vacant lots.

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

Sale Information

In September of 2015, City Council authorized HCID to release an RFQ/P to selected qualified developers for the development of several City-owned properties, including the Property. CRCD earned the highest score out of the three proposals received and in April 2016 was selected to develop the Property. CRCD intends to use the Property for the development of a 50-unit residential project (the Project), 49-units of which shall be income and rent restricted to households at or below Moderate Income pursuant to California and Health & Safety Code Section 50093 for a period of 55 years from the date of the Certificate of Occupancy for the Project.

In October 2018, HCID obtained an appraisal of the Property which placed its fair market value at \$1,041,000. The sales price shall be the full appraised value. The sale shall be financed with a 57-year City loan to CRCD (consisting of a two-year construction loan and a 55-year permanent loan) secured by a note and deed of trust. The City loan shall bear 3% simple interest and the annual City loan payment shall be equal to 50% of residual receipts (i.e., revenue remaining after various operating expenses as defined in the City loan agreement have been paid). The City's deed of trust will be subordinated to the tax-exempt bonds also being used to finance the Project. A City regulatory agreement will be recorded against the Property to secure the above-referenced rent and income restrictions at the Project.

Sale of City Property Instead of Lease

Pursuant to HCID'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. Here, an adjacent parcel of land commonly known as 6917 South Main Street is owned by Residences on Main, L.P., a California limited partnership. (ROM, L.P). CRCD is co-managing member of Residences On Main GP, LLC, a California limited company, the managing general partner of ROM, L.P.

Following the initial sale of the Property to CRCD and closing of the City loan to CRCD, with the City's permission, CRCD will transfer Property and assign the City loan to ROM so that all parcels may be under single ownership and lot tied for the

development of the Project. HCID has determined that bringing the parcels under single ownership would benefit the development and long term management of the Project.

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