

## TRANSMITTAL

To: **THE COUNCIL**

Date: **12/27/19**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

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December 9, 2019

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Council District: 7  
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Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 North Spring Street  
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO REIMBURSE ENVIRONMENTAL REMEDIATION COSTS TO THE DEVELOPER OF METAMORPHOSIS ON FOOTHILL, A SUPPORTIVE HOUSING PROJECT ON CITY-OWNED LAND**

**SUMMARY**

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval, and requests authority to reimburse environmental remediation costs incurred by the developer of affordable housing at 13574 W. Foothill Blvd., a property owned by the City of Los Angeles.

HCIDLA received approval from the City Council and the Mayor to negotiate and execute a Ground Lease with the selected developer, Clifford Beers Housing, Inc., or their limited partnership, to build affordable and supportive housing (C.F. No. 16-0600-S145). Due to the terms of the executed Ground Lease (C-132804), between the City and the developer's limited partnership, Metamorphosis on Foothill, L.P., HCIDLA is requesting City Council approval of the following actions related to the reimbursement of environmental remediation costs incurred by the developer.

**RECOMMENDATIONS**

- I. That the Mayor review this transmittal and forward it to City Council for action;
- II. That the City Council, subject to the approval of the Mayor:

A. AUTHORIZE the Controller to:

1. Establish a new Account 43S767 – Metamorphosis on Foothill within the Low and Moderate Income Housing Fund 55J.
2. Transfer appropriation in the amount of \$76,800.92 from Account 43J412 – Service Delivery to Account 43S767 – Metamorphosis on Foothill within the Low and Moderate Income Housing Fund 55J.

B. AUTHORIZE the General Manager of HCIDLA, or designee, to:

1. Pay *Metamorphosis on Foothill, L.P.*, the limited partnership of Clifford Beers Housing Inc. and selected developer of 13574 W. Foothill Blvd., in the amount of \$76,800.92;
2. Prepare Controller instructions or make any necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Officer and request the Controller to implement those instructions.

**BACKGROUND**

In February 2016, a Comprehensive Homeless Strategy (CHS) was adopted by the City in response to the homelessness crisis in Los Angeles. The Affordable Housing Opportunity Sites (AHOS) Initiative was subsequently launched as a pilot program in the Office of the City Administrative Officer (CAO) as part of the CHS' Strategy 7D, "Using Public Land for Affordable and Homeless Housing." Using the Council approved Asset Evaluation Framework (C.F. 12-1549-S3), the CAO conducted the preliminary assessment of the City-owned sites identified in the FY 2016-17 Adopted Budget.

Recognizing the need to minimize redundancy from preliminary analysis through the development and outreach process for the two programs, HCIDLA and the CAO coordinated on land development and the AHOS Initiative to develop common processes and regulations. The CAO assumed responsibility for identifying City-owned sites suitable for development, and HCIDLA was tasked with selecting developers and negotiating disposition development agreements. The combined AHOS - Land Development effort currently consists of 53 City owned properties, including 24 former Community Redevelopment Agency of the City of Los Angeles (CRA) sites, 16 AHOS sites, four Los Angeles Department of Transportation (LADOT) sites, and two HCIDLA owned sites. The property at 13574 W. Foothill Blvd. is a former CRA site.

On April 18, 2016, HCIDLA released a Request for Qualifications/Proposals (RFQ/P) for the disposition of City-owned properties for the development of supportive housing for homeless households, affordable multi-family rentals, homeownership, and other types of housing on City-owned parcels. Among the parcels offered was 13574 W. Foothill Blvd. At the conclusion of the competitive selection RFQ/P process, HCIDLA recommended the selection of Clifford Beers Housing, Inc. to the City Council and the Mayor, whereupon the selection was approved on November 11, 2016 (C.F. No. 12-0049-S5).

### Public Land Development Process

On January 23, 2017, Clifford Beers Housing, Inc. entered into an Exclusive Negotiation Agreement (ENA) with the City. On January 16, 2018, the Mayor signed the City Council action for approval to execute a DDA with Clifford Beers Housing, Inc., or their limited partnership, for the development of supportive housing on the City-owned parcel 13574 W. Foothill Blvd. (C.F. No. 12-0049-S5). The DDA (City Contract No. C-131206) between the City and Clifford Beers Housing, Inc. was executed on April 25, 2018. On February 15, 2019, the developer's limited partnership, Metamorphosis on Foothill, L.P., entered into a Ground Lease with the City (C-132804).

### Remediation Costs Under One-Hundred Thousand Dollars

The Ground Lease states, in Section 3.3.2(b), that the City will pay up to \$100,000 for "Known Pre-Existing Conditions" – conditions already discovered through environmental reports. In the same section of the Ground Lease, both the City and the developer acknowledged that certain Hazardous Substances were present on the premises, according to findings from three environmental reports: a Phase I Environmental Report dated June 15, 2017, a Phase II Environmental Report dated March 1, 2018, and a Fault Rupture Hazard Investigation dated October 6, 2017. Furthermore, both the City and the developer acknowledged that those certain Hazardous Substances referenced in the Phase I Report, the Phase II Report, and the Fault Study may need to be remediated from the premises to accommodate construction. Lastly, the Ground Lease states that the City shall pay all costs and expenses of such remediation by reimbursing the developer for the developer's costs and expenses incurred in an amount not to exceed \$100,000, to be paid by the City to Developer within 90 days after written demand therefor, which shall be accompanied by reasonable supporting documentation.

HCIDLA received and reviewed the developer's supporting documentation related to environmental remediation, and has determined the developer is owed in the amount of \$76,800.92.

### FISCAL IMPACT

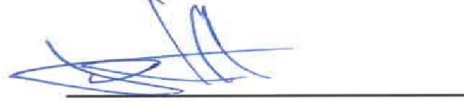
There is no fiscal impact to the General Fund. Reimbursement of the environmental remediation costs incurred by the developer is funded by the Low and Moderate Income Housing Fund 55J.

Prepared By:



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Reviewed By:



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Finance Development Officer II

Reviewed By:



MAGDALINA ZAKARYAN  
Community Housing Programs Manager

Reviewed By:



HELMI HISSERICH  
Director of Housing Strategies & Services

Reviewed By:



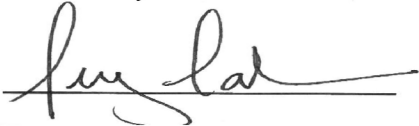
SEAN L. SPEAR  
Assistant General Manager

Reviewed By:



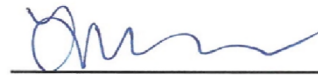
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Reviewed By:



LAURA K. GUGLIELMO  
Executive Officer

Approved By:



RUSHMORE D. CERVANTES  
General Manager