

MOTION

The Vermont City Lights is a 31-unit multi-family affordable housing project for very low- and low-income households. The Los Angeles Housing + Community Investment Department (HCIDLA), under the City Council and Mayor approved 2002 Multi-Family Rental Housing Program Notice of Funding Availability (NOFA), provided a \$1,847,000 loan consisting of federal HOME Investment Partnerships Program funds to Vermont City Lights, L.P. ("Borrower") to finance the acquisition, predevelopment, and permanent costs of the project (City Loan). The City Loan is evidenced by the Loan Agreement and the Promissory Note (dated May 29, 2003), which is secured by the Deed of Trust (recorded 9/10/2003 as Instrument No. 2003-2646787). The City Loan is a residual receipts loan, whereby the Borrower remits payments to the City if the Borrower's annual financial statements show residual receipts in any given year. In addition, the Regulatory Agreement (recorded 9/10/2003 as Instrument No. 2003-2646786) restricts the occupancy of fifteen (15) units to very low- and low-income households for a term of fifty-five (55) years.

The City loan is subordinate to a \$3.45 million first mortgage loan on the property. The Borrower intends to refinance the first mortgage into a Freddie Mac loan with Berkadia Commercial Mortgage LLC in order to benefit from a lower interest rate. In addition, the Borrower is requesting to amend the City Loan by converting it from a residual receipts loan to an annual interest-only payment loan with a balloon payment of the principal balance at the end of the loan term. Furthermore, the Borrower is requesting the City Loan to subordinate to the refinanced Freddie Mac Loan. The Borrower proposes to pay down the City Loan by approximately \$903,968.12, including \$347,000 of the principal balance and approximately \$556,968.12 of accrued interest. The City Loan balance will be reduced to approximately \$1,500,000, and the current loan maturity date of May 29, 2045 and 3% simple interest rate remain unchanged. The terms of the Regulatory Agreement also remain unchanged.

City Council and Mayor approval is required for the proposed amendment and subordination of the City Loan, as the City loan was originally funded through the City Council and Mayor-approved 2002 NOFA.

I THEREFORE MOVE that the City Council authorize the General Manager of HCIDLA, to negotiate and execute a loan amendment to the City Loan Agreement for the Vermont City Lights project to reflect the aforementioned revisions, and subordinate the City Deed of Trust securing the City Promissory Note to the Borrower's refinanced Freddie Mac loan with Berkadia Commercial Mortgage LLC, subject to the review and approval by the City Attorney as to form.

PRESENTED BY:



HERB J. WESSON, JR.
Councilmember, District 10

SECONDED BY:



JUN 30 2017

ORIGINAL

