

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 19, 2022

CAO File No. 0220-00540-1604

Council File No. 05-0686-S3

Council District: 14

To: The Mayor
The Council

From: *Yolanda Chavez*
for Matthew W. Szabo, City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated April 27, 2022; Received by the City Administrative Officer on April 27, 2022; Additional Information Received through May 19, 2022

Subject: **REQUEST FOR AUTHORITY TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON THE CITY-OWNED PROPERTIES LOCATED AT 230 N. JUDGE JOHN AISO ST. AND 130/140 N. JUDGE JOHN AISO ST.**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the General Manager of the Los Angeles Housing Department (LAHD), or designee, to negotiate and execute a Disposition and Development Agreement (DDA), Ground Lease, and effectuate related documents with the developers The Go for Broke National Education Center and Little Tokyo Service Center Community Development Corporation (Developer), or with the Developers' to-be-formed Limited Partnership, for the City-owned sites located at 230 N. Judge John Aiso St. and 130/140 N. Judge John Aiso St. (APNs: 5161-012-901 and 5161-012-902), as a condition of financing, based on the Key Terms and Conditions negotiated with the Developer and attached to the LAHD transmittal, dated April 27, 2022 (Report), and in substantial conformance with the Draft DDA attached to LAHD's Report;
2. Authorize the General Manager of the General Services Department to effectuate a non-financial transfer of jurisdiction and control of certain properties located at 230 N. Judge John Aiso St. and 130/140 N. Judge John Aiso St. (APNs: 5161-012-901 and 5161-012-902), to the LAHD to assist in the assembly of land for the development of affordable and supportive housing, subject to the review and approval of the City Attorney as to form; and,
3. Declare, based on the finding contained in the LAHD Report, that the City-owned property is "exempt surplus land" for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(A), which property is to be conveyed for the development of affordable housing subject to and contingent upon compliance with the restrictions set forth within Government Code Section 37364.

SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to negotiate and execute a Disposition and Development Agreement (DDA) with The Go for Broke National Education Center (GFBNEC) and Little Tokyo Service Center Community Development Corporation (Developers) for the development of affordable housing on the City-owned properties located at 230 N. Judge John Aiso St. and 130/140 N. Judge John Aiso St. (Property) in Council District 14. The LAHD is also requesting that Council authorize the General Services Department (GSD) to effectuate a non-financial transfer of the Property from GSD to LAHD three months before construction begins. The LAHD anticipates that construction will begin by March 2023.

The City originally executed a 50-year, \$0 ground, lease agreement with GFBNEC to expand the Go for Broke Monument on April 26, 2006 for the purpose of building an educational and interpretive center to provide educational programs to City residents, pursuant to C.F. 05-0686. Subsequent to the execution of the ground lease, the Council took various actions related to the subject Property, as described in the LAHD transmittal dated April 27, 2022 (Report). On September 2, 2020, the Council directed the LAHD to take necessary actions to enter into a ground lease with the Developers for the construction of an affordable and permanent supportive housing project with the educational and interpretive center on the ground floor. On March 3, 2021, the City Council approved a Motion (De Leon – Rodriguez) to include the subject Property in the ground lease. As proposed by the Developers, the project will result in the construction of 245 affordable or supportive housing units.

In accordance with the Housing Development Land Conveyance Policy approved by City Council on November 8, 2017 (C.F. 17-0862), the LAHD will utilize long-term ground leases for development of affordable housing projects on publicly-owned land by executing a DDA and Ground Lease, where feasible. The subject Property will be transferred to the Developers through a long-term Ground Lease. The Developers will be required to pay a base annual ground lease rent of \$1 for the residential component and annual rent of 50 percent of residual receipts for the commercial component of the site for the duration of the Initial Term of 55 years. Upon conclusion of the Initial Term, the Ground Lease may be extended for four, eleven-year terms for a maximum total ground lease term of up to 99 years.

The LAHD is also requesting that the Council declare that the subject Property is “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(A). Under the Surplus Land Act, governmental entities must declare property as either “surplus land” or “exempt surplus land” under Government Code Section 37364 before commencing the property disposition process. After consulting the Office of the City Attorney, the LAHD found that the Project, as proposed by the Developers, currently satisfies the requirements of “surplus land” based on the following findings:

- The Site will be ground-leased for below fair market value at \$1 per year for the residential component and residual receipt for the commercial component.
- The gross Site area is estimated to be 95,825 square feet with an estimated project footprint of 77,378 square feet. The gross building area to be set upon the project footprint is estimated to be 368,810 square feet, of which 321,376 square or 87 percent will be used

for the development of housing.

- The Project currently includes 245 residential housing units, 100 percent of which will be restricted as affordable housing reserved for families or individuals earning between 30 percent to 60 percent of the area median income.
- A 55-year Regulatory Agreement will be recorded against the property restricting the rents and guaranteeing the affordability levels.

Additional information regarding the Act and findings can be found in the LAHD Report. The LAHD will continue to work with the Developers to ensure that the final terms for the proposed project continue to be in compliance with, or exceed those requirements before any conveyance of the property may occur.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Potential project funding sources include State grants, loans or tax credits, federal grants, and private financing, among others. There is no additional cost to the City, and no funding commitments are being made at this time.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

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