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Council File: 09-0285
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY TO AMEND AND EXTEND THE TERMS OF THE LOAN AGREEMENT WITH URBAN HOUSING COMMUNITIES 00014 LOS ANGELES, L.P., AND TO EXECUTE VARIOUS ACTIONS RELATED TO THE PHASE A-2 OF THE CROSSINGS ON 29th STREET PROJECT AND APPROPRIATE AND EXPEND FUNDS FOR THE YALE STREET FAMILY HOUSING PROJECT

SUMMARY

On June 18, 2007, the former Community Redevelopment Agency/Los Angeles (CRA/LA) entered into a loan agreement for the Crossings on 29th Street affordable housing project with the developer, Urban Housing Communities 00014 Los Angeles, L.P. (UHC). The project was first proposed as a new construction of 70 units of affordable housing for very-low, low- and moderate-income families based on the acquisition of five properties that would have comprised the site. However, the developer has been unable to acquire one remaining middle parcel, which has impacted the project's scope and its development schedule. As a result, UHC had worked with the former CRA/LA to reconfigure the project into two phases, Phase A-1 and Phase A-2. Phase A-1 is located at 814 E. 29th Street and was completed in January 25, 2012 as an Affordable Housing Trust Fund (AHTF) 24-unit project. The construction and development of Phase A-2 located at 848 E. 29th Street and 2901 South Griffith Avenue is pending the negotiation and acquisition of the remaining parcel, and other financial commitments.

On January 14, 2014, the \$500,000 loan agreement by the former CRA/LA with UHC for the Phase A-2 of The Crossings on 29th Street was one of the housing assets transferred to the Los Angeles Housing + Community Investment Department (HCIDLA) as part of the CRA/LA's dissolution process (C.F. 12-0049-S2). Prior to this transfer, on March 22, 2011, CRA/LA received

Mayor and Council authority to amend the loan documents and increase the loan amount from \$500,000 by an additional \$600,000 to a total of \$1.1 million (C.F. 09-0285). The former CRA/LA had started preparing the draft of the amended loan documents, but was not finalized and executed. The City Attorney reviewed the authority that was previously granted to CRA/LA, and concluded that HCIDLA will require a new authority to effectuate the requested loan amendment and other actions including extension of the Promissory Note that expired on February 29, 2012.

Squatters have been found on the Phase A-2 site, and the Los Angeles Department of Building and Safety (LADBS) has issued an Abatement Order on the property. The HCIDLA requests authority to disburse funds to correct the Abatement Order and to address various matters related to the Phase A-2 project.

The Yale Street Family Housing Project is a 60-unit newly constructed affordable housing development in Council District 1 developed by the Affirmed Housing Group. The Yale Street Family Housing Project is located at 715-721 Yale Street. Construction completed in July 2014 and the developer is in the process of converting their construction loan to a permanent loan. HCIDLA is requesting that the Mayor and Council authorize the Controller to appropriate and expend approximately \$738,700 in funds remaining from their \$4.2 million loan.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter;
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Authorize the HCIDLA General Manager, or designee, to negotiate and execute an amended and restated CRA/LA loan agreement with Urban Housing Communities 00014 Los Angeles, L.P. (UHC) relative to the development of Phase A-2 of The Crossings on 29th Street and to extend the terms of the loan agreement from the expiration date on February 29, 2012 to June 29, 2016 subject to the review and approval by the City Attorney as to form;
 - B. Instruct the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) to transfer funds in the total amount of \$600,000 to HCIDLA;
 - C. Upon receipt of funds from CRA/LA, authorize the Controller to appropriate \$600,000 within Fund 55J, low and Moderate Income Housing Fund, account 43K008 AHTF.
 - D. Authorize the HCIDLA General Manager, or designee, to approve the disbursement and use of the \$600,000 funding for pre-development costs and costs to correct the Abatement Order for a Nuisance Property for parcel no. 256 of Phase A-2;
 - E. Authorize the Controller to increase appropriations by \$738,700 and expend funds within Fund No. 55J, Low and Moderate Income Housing Fund, account 43K008 AHTF, for the

Yale Street Family Housing Project. The funds were received from the CRA/LA on November 25, 2014.

- F. Authorize the HCIDLA General Manager, or designee, to prepare Controller's instruction for any necessary technical adjustments consistent with the Mayor and City Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

BACKGROUND

On April 20, 2007, the Mayor and Council authorized the former CRA/LA to execute an acquisition and pre-development loan agreement with UHC LA 29, L.P. in the amount of \$3.5 million, of which \$3.2 million will be used to purchase sites necessary for The Crossings on 29th Street assemblage to be reconfigured later as Phases A-1 and A-2. The remaining \$300,000 will be used for pre-development and feasibility work (C.F. 07-0826).

On March 20, 2009, the Mayor and Council authorized CRA/LA to restructure the \$3.5 million loan for a two-phase development into two separate loans as follows: \$3 million construction loan for Phase A-1 to UHC LA 29, L.P. and \$500,000 acquisition and pre-development loan for Phase A-2 to UHC 00014 Los Angeles, L.P. (C.F. 09-0825). As part of the loan restructuring for the original \$3.5 million loan, on August 30, 2010, the CRA/LA executed a loan agreement with UHC for Phase A-2 in the amount of \$500,000 with a maturity term of 18 months.

The Mayor and Council authorized HCIDLA to execute a loan agreement in the amount of \$3,262,880 from HOME funds in support of Phase A-1 on August 14, 2009 (C.F. 08-2855). This project was awarded 9% tax credits on August 31, 2009 and started construction on September 22, 2010. Phase A-1, a 24-unit project, was completed on January 25, 2012.

On March 22, 2011, the Council adopted a Motion giving authority to CRA/LA to amend the existing \$500,000 loan and increase the loan amount by \$600,000 for a total of \$1.1 million for the pre-development activities including finalizing design and engineering for the Phase A-2 project (C.F. 09-0285). Based on the Housing Asset Transfer (HAT) list approved by the California State Department of Finance (DOF), the \$500,000 has already been disbursed to UHC with loan number 872575-003. On March 27, 2013, the Recognized Obligation Payment Schedule 13-14A (ROPS 13-14A), approved by the DOF, listed the \$600,000 as an outstanding obligation to be disbursed, but the funds have yet to be transferred from the CRA/LA successor agency to HCIDLA. On January 21, 2014, HCIDLA was granted Council authority to appropriate and expend the funds upon proper demand of the General Manager, HCIDLA or designee (C.F. 13-0303-S1).

More recently, the LADBS has issued an Abatement Order for a Nuisance Property for the corner property, Parcel #256 of the Phase A-2, which is owned by UHC. On November 17, 2014, HCIDLA staff visited the site and found squatters camped in the backyard of the Phase A-2 property. If not addressed promptly, the LADBS will hire a contractor to demolish the building, and record a lien on the property to recover the demolition costs including other administrative fines.

Extension Request

The original loan agreement between the former CRA/LA and UHC was executed on August 30, 2010 with an 18-month term and expired on February 29, 2012. On March 22, 2011, a transmittal submitted by the former CRA/LA included a request to extend the term of the \$500,000 loan agreement for another year; however, the Motion approving the transmittal did not include the language approving the extension request (C.F. 09-0285). The HCIDLA is now requesting an extension of the term of the loan from the expiration date February 29, 2012 to June 29, 2016 to provide sufficient time to: 1) amend the loan documents; 2) disburse funds; 3) complete the site assemblage of Phase A-2; and, 4) allow the project sponsor to seek other funding sources.

The developer has stated that upon execution of the amended loan documents and disbursement of additional funds, the next steps will entail acquisition of the remaining parcel to complete the site assemblage. They will also submit an application to the next available Call for Projects for admittance to the Affordable Housing Trust Fund Pipeline for 9% Low Income Housing Tax Credits. A more detailed development timeline from the UHC is provided in Attachment A.


Yale Street Family Housing

The Yale Street Family Housing Project is a 60-unit newly constructed affordable housing development located in the Chinatown community of Council District 1. The project was developed by the Affirmed Housing Group, a for-profit affordable housing development company based in Southern California. The Yale Street Family Housing Project completed construction in July 2014 and is in the process of converting their construction loan to a permanent loan. Part of the financing to develop the project included a former CRA/LA loan in the amount of \$4,200,000. Upon dissolution of the CRA/LA in April 2013 and the transfer of its assets to HCIDLA, as the CRA/LA's successor agency, \$738,700 in funds remain to be disbursed for the project. In order to disburse the remaining funds, HCIDLA requests that the Mayor and Council authorize the Controller to appropriate and expend the funds within Fund No. 55J, Low and Moderate Income Housing Fund, upon proper written demand of the General Manager, HCIDLA, or designee.

FISCAL IMPACT

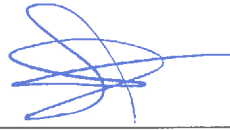
There is no impact to the General Fund. The recommendations in this report will allow for a total of \$1.3 million to be disbursed for affordable housing projects that were originally funded by the former CRA/LA. These funds will be loaned to the respective developers of these affordable housing projects. The Yale Street Family Housing Project loan is due and payable in 55 years and The Crossings on 29th Street project loan is due June 2016.

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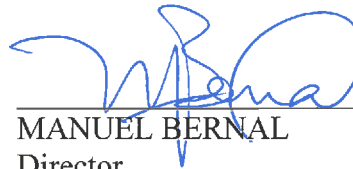
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Attachment A: Development Timeline