

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 9, 2009

CAO File Nos. 0220-00013-2231

Council File No. 09-0285

Council District: 9

To: The Council
The Mayor

From: Raymond P. Ciranna, Interim City Administrative Officer



Reference: Community Redevelopment Agency Transmittal dated February 5, 2009; Received by the City Administrative Officer on February 11, 2009

Subject: **AUTHORIZATION TO RESTRUCTURE A \$3.5 MILLION PREDEVELOPMENT AND CONSTRUCTION LOAN FOR THE CROSSINGS AT 29TH STREET AFFORDABLE HOUSING PROJECT**

SUMMARY

The Community Redevelopment Agency (Agency) requests authority to amend an existing Acquisition and Predevelopment Loan Agreement (Agency Loan) with UHC LA 29, LP (Developer) in the amount of \$3,500,000 to restructure the Agency Loan into the following two loans:

- 1) A Construction Loan in an amount not to exceed \$3,000,000; and,
- 2) An Acquisition and Predevelopment Loan Agreement in an amount not to exceed \$500,000.

In April 2007, the Council approved the original \$3,500,000 Agency Loan for the purpose of developing The Crossings At 29th Street Affordable Housing Project (Project) sited at 704-712 E. 29th Street, 814 E. 29th Street, 848 E. 29th Street and 2901 S. Griffith Avenue (C.F. 07-0826). The Project is located in the Agency's Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area (CD9RPA). The source of funds for the existing loan is from a combination of Low and Moderate Income Housing Trust Funds from the CD9RPA and the Bunker Hill Redevelopment Project Area and tax allocation bond proceeds from the CD9RPA. No new funds are required for the restructuring of the Agency Loan.

At the time of execution of the Agency Loan, the Project was originally proposed as the new construction of 70-units of affordable housing based on the acquisition of five parcels at the Project site. The Agency states that the Developer has utilized the Agency Loan proceeds to purchase only four of the five parcels. The remaining parcel has impacted the Project's scope, which now includes two phases of development with a construction schedule based on the later acquisition of the fifth property (704-712 E. 29th Street). The Project has been redesigned to consist of Phase One sited at 814 E. 29th Street and Phase Two at 848 E. 29th Street and 2901 S. Griffith Avenue.

The Developer purchased the four parcels in June 2007. Total acquisition costs equal \$7,490,000, which consisted of Agency Loan proceeds (\$3,500,000), a conventional loan from U.S. Bank (\$3,500,000) and Developer equity (\$490,000). Upon conversion, the existing \$3,500,000

Agency Loan will be allocated to the Project for a Construction Loan in the amount of \$3,000,000 for Phase One (Phase One Loan) and an Acquisition and Predevelopment Loan Agreement in the amount of \$500,000 for Phase Two (Phase Two Loan).

Phase One Development

As proposed, Phase One will consist of the development of 34 units (33 resident apartment units plus one unit without income restrictions for an on-site manager). The development will feature three separate 10-plex and 12-plex apartment structures, each three stories in height, 34 surface parking spaces and a courtyard. Of the resident units, 15 units will be targeted to very-low income households or 50 percent of the Area Median Income (AMI) as defined by the State's Housing and Community Development Department, nine units will be for low income households or 80 percent of AMI and nine units will be for moderate income households or 120 percent of AMI. An agreement containing covenants that restrict the rental maximums will be recorded against the property for a 55-year term. The total 34-unit mix for the Project consists of 24 two-bedroom and 10 three-bedroom units.

Total development costs for Phase One are estimated at \$14,937,918, or \$439,350 per unit. The Developer will be submitting applications to secure financing from the California Tax Credit Allocation Committee in April 2009 for the syndication of nine percent low-income housing tax credits (LIHTC) in the net amount of \$8,826,563. A limited partner will be added to the Project and will be required to provide a letter of interest expressing intent to purchase equity into the Project. The Developer will also be applying in the next round of the Los Angeles Housing Department's (LAHD) Notice of Funding Availability for an award commitment from the Affordable Housing Trust Fund in the amount of \$3,262,880.

The Project has also secured a grant in the amount of \$1,183,475 from the California Recycle Underutilized Sites Remediation (CALReUSE) Program that was awarded in November 2008 by the California Pollution Control Financing Authority (CPCFA). The CALReUSE funds, which are funded from the State's Proposition 1C Infill Infrastructure Program (Prop 1C), will be utilized to assist with costs to remediate contamination from the site's prior industrial use. A conventional loan in the amount of \$1,265,000 has also been secured for the Project. The Deferred Developer Fees total \$400,000. The Agency states that the Developer plans to begin construction by July 2009 with completion estimated by December 2010. A detailed summary of the Project's proposed sources and uses is provided below:

PHASE ONE SOURCES AND USES				
<u>SOURCES</u>	<u>CONSTRUCTION</u>	<u>PERMANENT</u>	<u>USES</u>	
Conventional Loan	\$ 4,795,563	\$ 1,265,000	Acquisition Costs	\$ 5,608,715
Agency Phase One Loan	3,000,000	-	Hard Costs	7,180,494
LAHD	3,262,880	3,262,880	Soft Costs	2,148,709
Tax Credit Equity	5,296,000	8,826,563	TOTAL	\$ 14,937,918
CALReUSE	1,183,475	1,183,475		
Deferred Dev. Fees	400,000	400,000		
Construction Subtotal	\$ 17,937,918			
Repayment of Agency Loan (at close of construction)	- 3,000,000			
TOTAL	\$ 14,937,918	\$ 14,937,918		

The Developer will also submit an application to the Housing Authority of the County of Los Angeles for an award of City of Industry Funds in the amount of \$1,069,000 to offset the Project's development budget. If the full amount is awarded to the Project, the Agency proposes that the Phase One Loan be reduced by \$1,069,000 and converted as an increase of the same amount towards the Phase Two Loan, from \$500,000 to a total of \$1,569,000 for predevelopment expenses.

Agency Loan Restructuring

Upon approval, the Agency Loan will be converted to the Phase One Loan and Phase Two Loan. The total amount of the Phase One Loan (\$3,000,000) will be due two years from the date of execution at an interest rate of three percent unless the Developer provides to the Agency a Certificate of Completion (COC) for the Project. Upon receipt of the COC, the Agency will deem the Phase One Loan as repaid and accrued interest will be forgiven.

The Agency proposes to execute the Phase Two Loan at the time of closing of the Phase One Loan, for a maturity term of 18 months at an interest rate of three percent. If the Developer fails to complete the requirements as reflected below by the expiration of the Phase Two Loan, the full amount (\$500,000) will be due to the Agency, with an allowance for a one-year extension pursuant to the terms of the Agency Loan. The Agency requires the Developer to secure the following for the Project:

- a) An award of LIHTC during the April 2009 funding round;
- b) Acquisition of the remaining Phase Two property;
- c) Acquisition of the Los Angeles County Metropolitan Transportation Authority right-of-way located adjacent to the proposed Project;
- d) Obtain commitments of all construction and permanent funding sources for a financially feasible Project; and,
- e) Submit final construction drawings, costs statement and schedule.

The Phase Two Loan will then be secured by a subordinate deed of trust on the land, bearing a three percent interest for a 55-year term. Repayment of the debt will be made annually from a pro rata portion of residual receipts.

CALReUSE Grant

As a result of the passage of Senate Bill (SB) 1986 in August 2000, the CPCFA is the appointed administrator of grants and forgivable loans to finance the cost of site assessments and technical services to facilitate the reuse and redevelopment of Brownfields projects. CALReUSE is funded by Prop 1C, the Housing and Emergency Shelter Trust Fund Act of 2006 (SB 1689). Program funds are for eligible Brownfield cleanup projects that promote infill residential and mixed-use development that result in the inclusion of affordable housing components at the sites. CALReUSE funds are for projects in an Infill Area that are consistent with local or regional land use plans.

The Developer is a limited partnership in which Urban Housing Communities LLC (UHC) will be acting as the co-general partner. UHC, a partner of Morgan Stanley, was established in 2003 as a for-profit affordable housing development company with experience throughout California and Hawaii. Heritage Community Housing, Inc. (HCH) will be acting as managing general partner. HCH is a non-profit organization that has developed and managed affordable senior and multi-family housing properties in Los Angeles and Orange Counties since 1995. The Agency states that

UHC 00014 Los Angeles, LP will be formed as a separate limited partnership entity with the same partners for the development of Phase Two.

The Developer will be required to comply with all applicable Agency requirements, including Equal Opportunity and Affirmative Action, Prevailing Wage, Local Hiring, Living Wage, Responsible Contractor, Service Worker Retention, Equal Benefits, design standards and insurance. The City's Financial Policies are not applicable to the Agency. The Agency is only bound by the disclosure provisions of the City's Debt Management Policies.

RECOMMENDATION

That the Council authorize the Community Redevelopment Agency (Agency) Chief Executive Officer, or designee, to restructure the existing Acquisition and Predevelopment Loan Agreement (Agency Loan) with UHC LA 29, LP (or subsequently as UHC 00014 Los Angeles, LP) in the amount of \$3,500,000, into the two loans (listed below) for the purpose of developing The Crossings At 29th Street Affordable Housing Project (a two-phased development) located in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area, and take such other actions as may be necessary to carry out the loan conversion, subject to the review and approval of the City Attorney as to form. The Agency Loan will be restructured into the following two loans:

- 1) A Construction Loan Agreement in an amount not to exceed \$3,000,000 for Phase One of The Crossings At 29th Street, sited at 814 E. 29th Street; and,
- 2) An Acquisition and Predevelopment Loan Agreement in the amount of \$500,000 for Phase Two of The Crossings At 29th Street, sited at 848 E. 29th Street and 2901 S. Griffith Avenue.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The City's Financial Policies are not applicable to the Community Redevelopment Agency (Agency). The Agency is only bound by the disclosure provisions of the City's Debt Management Policies. Approval of the recommendation will result in the expenditure of an aggregate amount not to exceed \$3,500,000 from a combination of Low and Moderate Income Housing Trust Funds from the Agency's Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area (CD9RPA) and Bunker Hill Redevelopment Project Area, in addition to tax allocation bond proceeds from the CD9RPA.

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