



**MICHAEL N. FEUER**  
CITY ATTORNEY

REPORT NO. R 1 4 - 0 0 8 8  
MAR 2 5 2014

REPORT RE:

**DRAFT ORDINANCES AUTHORIZING SALE OF  
11150 GLENOAKS BOULEVARD, UNIT 86, TO MARIA DE LA CRUZ  
AND 10219-10223 MAIN STREET TO ROSALINDA SANTANA**

The Honorable City Council  
of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, CA 90012

Pursuant to your request, this Office has prepared and now transmits for your consideration, approved as to form and legality, the enclosed draft ordinances, which authorize the sale of City-owned real property located at 11150 Glenoaks Blvd., Unit 86, Los Angeles to Maria De La Cruz and 10219-10223 Main Street, Los Angeles, to Rosalinda Santana (11150 Glenoaks Blvd., Unit 86, and 10219-10223 Main Street are sometimes collectively referred to as the Properties, and Ms. De La Cruz and Ms. Santana are sometimes collectively referred to as the Buyers).

The property located at 11150 Glenoaks Blvd., Unit 86 was acquired by the Los Angeles Housing and Community Investment Department (City or HCIDLA), formerly known as the Los Angeles Housing Department at the foreclosure sale conducted by the senior lender. The property located at 10219-10223 Main Street was taken back when the property failed to generate a sufficient bid at the City initiated foreclosure sale.

The Buyers were selected by the City through a competitive process utilizing the services of its contracted real estate broker, Altera Real Estate (Altera), as a means to market and select qualified buyers.

The source of the funds used to initially acquire both Properties consisted of HOME funds, which must be used for housing for low-income households, and thus the Properties may not be used for general City purposes.

#### Background and Summary of Ordinance Provisions

##### 11150 Glenoaks Blvd., Unit 86

In 2002, HCIDLA provided a \$60,000 loan to Olivia N. Sandoval through the City's Soft-Second Program which targets low and moderate income first-time homebuyers. The loan was used for the purchase of a 642 square foot one-bedroom condominium located at 11150 Glenoaks Blvd., Unit 86. The property was also subject to a senior loan. Due to Ms. Sandoval's failure to make payments on her senior loan, a Notice of Default was recorded in June 2008, and HCIDLA acquired the property at the foreclosure sale conducted by the senior lender.

The property is currently vacant, and HCIDLA is currently responsible for its management and maintenance, as well as for payment of homeowner association fees and insurance costs. Because the underlying loan was a homeownership loan, there is no affordability restriction recorded against this property.

##### 10219-10223 Main Street

In 2005, HCIDLA provided an interest free loan in the amount of \$175,000 to Fellowship West, Inc., a California non-profit organization (Fellowship) for the purchase of a multi-unit property consisting of four, two-bedroom residential units located at 10219-10223 Main Street. The property was intended to be used as affordable housing and is subject to a Regulatory Agreement, which expires in 2018 and requires rents to be affordable to those earning less than 60% of Area Median Income for the Los Angeles area.

Because Chase Bank was prepared to foreclose on Fellowship's senior loan on the property, HCIDLA made an advance of \$47,500 to Chase Bank in order to cure the default and preserve HCIDLA's loan and Regulatory Agreement. However, as a result of Fellowship's failure to repay the advance, a Notice of Default was recorded on or about August 17, 2009, and on or about December 17, 2010, HCIDLA took possession of the property when it failed to generate a sufficient bid at the City initiated foreclosure sale.

The property is currently occupied, and HCIDLA is responsible for its management and maintenance.

### Authority to Sell City-Owned Property

On December 11, 2009, City Council approved the selection of Altera as the HCIDLA's real estate broker for the purpose of assisting it with a variety of real estate transactions, including the purchase and sale of City-owned properties (CF 09-0374). Altera markets properties for HCIDLA by listing them on the Multiple Service Listing Service (MLS) to ensure they will be sold at fair market price to maximize recovery of HCIDLA's funds invested in these properties. Funds generated from sales are used to pay off any senior loans on the properties with the remaining funds reinvested as Program Funds to serve the HCIDLA's mission of developing and providing affordable housing.

In June of 2013, pursuant to the transmittal report dated December 20, 2011 (CF 12-0018), HCIDLA received authority from City Council and the Mayor to sell the Properties, as well as the authority to dispose of the Properties through the services of its contracted real estate broker, Altera, rather than through an RFP process.

### Marketing of 11150 Glenoaks Blvd., Unit 86

Altera listed the property for sale at the appraised value of \$119,000. Two offers were received, one for the listing price and the second from Ms. De La Cruz in the amount of \$125,000, with a request for 3% back to cover closing costs, for a net price of \$121,250. The offer of \$121,250 was accepted, and escrow opened November 19, 2013. The purchase price of \$121,250 will be financed through third party buyer financing. After paying all closing costs, including, but not limited to, broker commissions in the amount of \$7,500, which represents a total of 6% of \$125,000, the net proceeds from this sale will total approximately \$103,119.15.

### Marketing of 10219-10223 Main Street

Altera listed the property for sale at its appraised value of \$400,000. Four offers were received. A multiple bid notice was then sent to potential buyers, and the highest offer of \$435,000 was selected. A purchase and sales agreement has been executed, the property has been physically inspected, and a check has been deposited into escrow. Ms. Santana has also agreed to comply with the provisions of the Regulatory Agreement until the end of its term in 2018. The purchase price of \$435,000 will be financed through third party buyer financing. After paying all closing costs, including but not limited to broker commissions in the amount of \$26,100, which represents a total of 6% of \$435,000 and Chase Bank's senior loan in the amount of \$210,920.15, the net proceeds from this sale will total approximately \$193,327.85.

The public interest necessitates the sale of these Properties because it will decrease the City's liability, staff time and expenditures associated with its continued ownership, as well as will increase the availability of safe, sanitary and affordable

housing for City residents. The sale is in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

Council Rule 38

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to HCIDLA with a request that any comments be transmitted directly to Council or its committees when this matter is considered.

California Environmental Quality Act

The recommended action is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15312(a) and (b)(4) of the State CEQA guidelines.

If you have any questions regarding this matter, please contact Deputy City Attorney Mei-Mei Cheng at (213) 978-0055. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By



DAVID MICHAELSON  
Chief Assistant City Attorney

DM:MMC:as  
Transmittal