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CITY ATTORNEY

REPORT NO. R 1 4 - 0 2 6 0

MAY 30 2014

REPORT RE:

**REVISED DRAFT ORDINANCE TO AMEND ARTICLE 4 OF CHAPTER 1 OF
DIVISION 7 OF THE LOS ANGELES ADMINISTRATIVE CODE "SALE OF REAL
PROPERTY NO LONGER REQUIRED FOR USE OF THE CITY"**

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

Council File No. 12-0018

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed revised draft ordinance, approved as to form and legality. The draft ordinance amends Article 4 of Chapter 1 of Division 7 of the Los Angeles Administrative Code (LAAC), Sale of Real Property No Longer Required for Use of the City (LAAC Section 7.21, *et seq.*). The ordinance provides for an expedited process to be used by the Los Angeles Housing and Community Investment Department (HCIDLA) for the sale of properties acquired by HCIDLA, by foreclosure or otherwise, in which local, state or federal funds are invested and which are restricted in their use for low and moderate income housing (REO Properties).

At its meeting of April 23, 2014, Housing Committee suggested that the original draft ordinance be revised to include a provision whereby prior to offering any REO property for sale, HCIDLA must first notify the Council office of the district in which the REO property proposed for sale is located, by submitting an advisory notice to the City Clerk. The purpose of the notification is to ensure that the relevant Council district is apprised of any intended sales at the beginning of the sale process in order to avoid any

potential delays when HCIDLA seeks City Council's approval of the final sales transaction.

Accordingly, we have revised Section 773.2 of the original draft ordinance to include this notification requirement. A full copy of the revised draft ordinance incorporating the notification requirement is attached.

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:pj
Transmittal

ORDINANCE NO. _____

An ordinance adding Sections 7.33.2, 7.33.3, 7.33.4, 7.33.5, 7.33.6 and 7.33.7 to Division 7, Chapter 1, Article 4, of the Los Angeles Administrative Code to create a marketing and sale procedure to sell real property, the title of which is acquired through foreclosure or otherwise, by the Los Angeles Housing and Community Investment Department and is restricted for use for the provision of housing for low and moderate income households.

WHEREAS, the Los Angeles Housing and Community Investment Department (HCIDLA) is the conduit for local, state and federal funding specifically for the provision of low and moderate income housing for residents of the City of Los Angeles; and

WHEREAS, as the result of foreclosure or otherwise, HCIDLA has title to properties in which local, state or federal funds are invested and which are restricted in their use for low and moderate income housing (REO properties); and

WHEREAS, it is in the public interest to expedite the disposition of these REO properties to return them to the affordable housing stock for the residents of the City of Los Angeles; and

WHEREAS, the sale procedures currently provided for in the Los Angeles Administrative Code (LAAC) are not adequate to accommodate the expedited marketing and sale of these particular property dispositions; and

WHEREAS, pursuant to Section 385 of the Los Angeles City Charter the City Council may provide for the sale of real property under terms and conditions prescribed by ordinance; and

WHEREAS, the City Council finds that expedited disposition of the REO properties for the provision of low and moderate income housing is in the best interest of the City, and that such real property is not surplus property or land within the meaning of Los Angeles Administrative Code or California Government Code Section 54220, *et seq.*

NOW, THEREFORE,

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Sections 7.33.2, 7.33.3, 7.33.4, 7.33.5, 7.33.6 and 7.33.7 are hereby added to Division 7, Chapter 1, Article 4, of the Los Angeles Administrative Code to read as follows:

Sec. 7.33.2. Sale of REO Property – Powers of HCIDLA General Manager.

Where the Los Angeles Housing and Community Investment Department (HCIDLA) (or any predecessor or successor City agency or department) has obtained title to real property as the result of foreclosure or otherwise, in which local, state or federal funds are invested and which are restricted in their use for low and moderate income housing (REO property), the HCIDLA General Manager or designee may make the determination that the REO property is to be sold and shall:

(a) Authorize and identify the competitive process set forth in Section 7.33.3 that will be used to solicit proposals from qualified buyers for the REO property offered for sale; and

(b) Direct that HCIDLA competitively seek proposals from potential buyers of REO property subject to the condition that such REO property will be the subject of a covenant or regulatory agreement restricting its use for housing for low or moderate income residents, as those respective terms are defined by the underlying source of funding HCIDLA has invested in the REO property.

Prior to exercising discretion to sell under this Section, the HCIDLA General Manager shall first notify the City Council office of the district in which the REO property proposed for sale is located, by submitting an advisory notice to the City Clerk. Upon the acknowledgement of receipt of the notice by the City Clerk, the HCIDLA General Manager may proceed with the sale of the REO property.

Sec. 7.33.3. Methods of Marketing.

The REO property shall be marketed by HCIDLA in one of the two methods set forth herein.

(a) City Directed Marketing Method. HCIDLA shall comply, at a minimum, with the following requirements:

(1) HCIDLA shall direct that a Request for Proposal (RFP) or Notice of Funding Availability (NOFA) be issued that describes the REO property in a manner sufficient to inform a potential buyer of the REO property's particular location, characteristics and use restrictions such that a potential buyer may make an informed decision and submit a competitive proposal. Prior to release, the RFP or NOFA shall be subject to the review and approval of the HCIDLA Assistant General Manager or designee; and

(2) The RFP or NOFA shall be advertised on the appropriate City website designed to reach qualified buyers.

(b) Commercial Marketing Method. HCIDLA shall comply, at a minimum, with the following requirements:

(1) HCIDLA shall engage the services of a commercial real estate broker who shall list the REO property including its location, characteristics and use restrictions on a commercially available real estate listing service commonly used in the sale and marketing of real estate properties in the Los Angeles area. Prior to publication, the listing shall be subject to the review and approval of the HCIDLA Assistant General Manager or designee; and

(2) The REO property shall be listed on the appropriate City website designed to reach qualified buyers.

Sec. 7.33.4. Minimum Sales Price.

Unless otherwise approved by the City Council, the minimum sales price of an REO property shall be the full appraised value or no less than the minimum percentage of value as determined by appraisal under the requirements of the local, state or federal funds invested in the REO property.

Sec. 7.33.5. Term of Restricted Use.

The resulting use of the REO property after its sale shall be for housing for low or moderate income households and shall be subject to a covenant or regulatory agreement to be recorded against the REO property restricting its use for a term determined as follows:

(a) If at the time the REO property is sold or transferred pursuant to this ordinance, HCIDLA is not providing any additional public funding for the REO property, the term of affordability shall be, at a minimum, the full term consistent with the requirements of the funding previously invested in the REO property; or

(b) If additional public funding is invested in the REO property at the time of sale, the term of affordability shall be, at minimum, the term consistent with the requirements of the additional funding source; however, in the event the resulting term under the additional funding source requirements is less than the full term consistent with the requirements of the funding previously invested in the REO property, the longer term shall be applied in the covenant or regulatory agreement.

Sec. 7.33.6. Role of City Administrative Officer.

The City Administrative Officer shall review the proposed sale of an REO property and make recommendations to the City Council.

Sec. 7.33.7. Approval by City Council Required.

An REO property shall only be sold after the City Council has made the necessary findings and approved the sale by ordinance pursuant to Section 7.27 of the LAAC.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, Interim City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
MEI MEI CHENG
Deputy City Attorney

Date 5-30-14

File No.(s) _____