

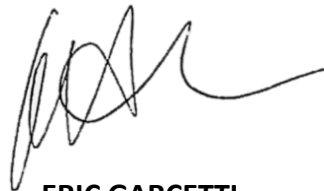
## TRANSMITTAL

To: **THE COUNCIL**

Date: **08/12/22**

From: **THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

A handwritten signature in black ink, appearing to read 'Eric Garcetti', with a long horizontal flourish extending to the right.

(Andre Herndon) for

**ERIC GARCETTI**  
Mayor

Ann Sewill, General Manager  
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager  
Anna E. Ortega, Assistant General Manager  
Luz C. Santiago, Assistant General Manager

## City of Los Angeles



Eric Garcetti, Mayor

## LOS ANGELES HOUSING DEPARTMENT

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August 11, 2022

Council File: NEW  
Council District: 2  
Contact Persons: Gohar Paronyan (213) 808-8969  
Michael De Simone (213) 922-9657

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
200 North Spring Street  
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL OF RECOMMENDATIONS  
RELATIVE TO THE EXTENSION OF GROUND LEASE TERMS FOR THE CITY-OWNED  
PROPERTY LOCATED AT 6842 GENTRY AVE, NORTH HOLLYWOOD, CA 91605, FOR THE  
DEVELOPMENT OF AFFORDABLE AND SUPPORTIVE HOUSING**

**SUMMARY**

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, LAHD seeks approval, and requests authority to take recommended actions related to amending and renewing the ground lease terms of the property owned by the City of Los Angeles, with the purpose of continuing affordable housing on public land.

**RECOMMENDATIONS**

- I. That the Mayor review this transmittal and forward it to City Council for action;
- II. That the City Council, subject to the approval of the Mayor:
  - A. REQUEST the City Attorney to prepare all necessary documents, including but not limited to a renewal and modification of a ground lease to preserve and support an affordable housing project on the City-owned property located at 6842 Gentry Ave. (APN 2321-022-900); and,
  - B. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute all ancillary documents required for the affordable housing project at 6842 Gentry Ave. (APN 2321-022-900), per the terms of the ground lease.

## **BACKGROUND**

In April of 2013, the General Manager of the LAHD signed and fully executed a Transfer Agreement and accepted the housing assets of the former Community Redevelopment Agency of the City of Los Angeles (“CRA/LA”, C.F. No. 12-0049). Among the housing assets received was a property at 6842 Gentry Ave. (“Site”, APN 2321-022-900). In 1986, CRA/LA acquired the Site through a public auction. In 1989, CRA/LA entered into a 30-year Ground Lease Agreement with LA Family Housing (“LAFH”) for the development of affordable housing, along with a \$180,000 construction loan. LAFH constructed a three-unit apartment building with six parking spaces, consisting of one two-bedroom unit, one three-bedroom unit, and one four-bedroom unit.

On July 1, 2009, CRA/LA and LAFH executed an Amended and Restated Loan Agreement for a \$457,112.54 rehabilitation loan and rolled over the \$180,000 construction loan for a 30-year term. In 2010, CRA/LA and LAFH executed an Agreement Containing Covenants Affecting Real Property, setting affordability restrictions for persons and families of very low income (50% AMI) for 55 years.

The original terms of the ground lease stipulated that the lease was to be based on an annual payment of 25% of residual receipts. The ground lease with LAFH expired in 2019 and according to the ground lease, upon expiration of the lease, the Site can either be purchased by the lessee or the lease can be converted to a month-to-month lease based on fair rental value. With the lease converting to a month-to-month lease rate based on fair rental value, the project’s revenue does not support the lease payment. LAHD analyzed the project’s residual receipts history for the past ten years and determined that the project did not generate any surplus cash during that time, which means that the borrower did not make any residual receipts ground lease payments to LAHD for those years. LAHD also reviewed the project’s audited financial statements and determined that the project does not generate adequate cash flow to pay rent since the project’s expenses exceed revenue. Accordingly, LAHD concluded that forcing the borrower to pay fair rental value would cause the project further financial burden and potentially cripple the project.

To preserve the housing project and keep the tenants housed, LAFH is seeking to renew the Ground Lease with the annual residual receipt payment terms and continue the affordable housing project.

Upon review of the project and given the current housing crisis in the City, LAHD supports renewing and extending the Ground Lease term with LAFH retroactively from 2019, for an additional 45 years. This extension will make the maturity date of the Ground Lease coterminous with the Covenant maturity date and will allow LAFH to continue to provide affordable housing to very low-income families on the Site.

The expired ground lease provided LAFH the option to purchase the property at maturity for Fair Market Value (FMV). LAFH desires to have the option to purchase the Site at any time throughout the new lease term, not just at lease maturity. LAFH is anticipating that they will eventually purchase the Site and redevelop the Site in conjunction with an adjacent parcel that is owned by LAFH. LAFH does not have designs for the proposed future development at this time, however, the extension of the lease and the option to purchase the Site for FMV will provide LAFH with the opportunity to develop a plan to redevelop the Site and the adjacent parcel to create additional affordable housing units. LAHD is in support of amending the lease to provide LAFH with the option to purchase the property for FMV at any time throughout the lease term.

LAHD is now requesting the authority to amend and renew the Ground Lease and extend the lease retroactively from 2019 for an additional 45 years with LAFH and to allow for LAFH to purchase the site at any time during the term of the lease.

**FISCAL IMPACT**

There is no fiscal impact to the General Fund.

Approved By:



ANN SEWILL  
General Manager  
Los Angeles Housing Department