

CITY OF LOS ANGELES
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CLA: 12-01-0059

Date: January 24, 2012

To: The Council
The Mayor

From: Miguel A. Santana, City Administrative Officer

Gerry F. Miller, Chief Legislative Analyst

Subject: **DISCUSSION RELATIVE TO THE SUCCESSOR AGENCY FOR THE HOUSING
FUNCTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF
LOS ANGELES****SUMMARY**

In response to the December 29, 2011 California Supreme Court ruling in the case entitled Community Redevelopment Association et. al., v. Anna Matosantos (S194861), which upheld the redevelopment elimination bill (AB1x26), the Council approved a resolution to opt-out of becoming the Successor Agency of CRA/LA on January 11, 2012 (C.F. 12-0049). As part of that action, Council instructed the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) with the assistance of the Los Angeles Housing Department (LAHD) to report with an analysis of the implications relevant to the transfer of the housing functions of the former redevelopment agency to the City. AB1x26 provides that the city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency (Housing Entity). AB1x26 further states that this function will automatically be transferred to the Housing Authority of Los Angeles (HACLA) if the City does not adopt a resolution stating that it elects to retain the housing assets and functions. Although AB1x26 does not provide a deadline or a mechanism for the City to elect to be the Housing Entity, the City Attorney advises that the City take an action in the form of a Resolution prior to February 1, 2012 when CRA/LA will be dissolved.

The decision before Council is whether the housing functions and assets of CRA/LA should be transferred to LAHD or default to HACLA. The transfer of housing functions and assets does not require the housing entity to retain any employees from the Successor Agency and their associated salaries and pension liabilities. However, it should be noted that there will be costs associated with implementing the housing program both on a short-term and long-term basis, and AB1x26 does not provide a clear mechanism for the City to be reimbursed for these costs. It is possible that the City may receive program income from repayment of loans transferred from CRA/LA. No matter what the City's decision is, the City could still be subject to housing related lawsuits and the City will require clarity from the State relative to implementing the housing provisions of AB1x26. In contrast to the Successor Agency discussion, housing related actions that do not require funding from the EOPS are not subject to approval of the Oversight Board and the State Department of Finance (DOF). The housing assets related to projects partially funded with Low and Moderate Income Housing funds (LMIHF) will be subject to review and approval by Oversight Board and the DOF. By operation of law, effective February 1, 2012, the housing assets of the former redevelopment agency will transfer to the Housing Entity. Our Offices will report to the Mayor and Council with a transition plan that details the necessary

resources for short and long-term management of the former redevelopment agency's housing assets, functions and responsibilities.

The City of Los Angeles has the one-time opportunity to assume responsibility for the CRA/LA housing portfolio. At stake is over 29,000 units of affordable housing, including nearly 23,000 affordable units in CRA/LA's existing loan portfolio. Nearly 6,000 additional units are in the development pipeline, representing approximately \$400 million in City funding and more than \$1.2 billion in total development costs. Ensuring the future affordability compliance and fiscal soundness of these units is critical to maintaining affordable housing for approximately 75,000 residents of the City of Los Angeles.

There is uncertainty involving the roles of the Housing Entity and the Successor Agency. Since the City chose not to be the Successor Agency, any other taxing entity can opt-in and become the Successor Agency. In the event that no taxing entity elects to become the Successor Agency, the Governor will appoint three (3) residents of Los Angeles County to serve as the Designated Local Authority (DLA), which will act as the Successor Agency until a local agency elects to become the Successor Agency. AB1x26 does not clearly delineate between the roles of the Housing Entity and the Successor Agency. However, preliminary discussions with the DOF have provided some insight as to the intentions of the legislation and these roles. The DOF advises that all CRA/LA projects that were acquired entirely with Low and Moderate Income Housing funds (including five percent Affordable Housing Trust Fund dollars) will be transferred to the Housing Entity. In the event that multiple funding sources were used for a housing project, the Oversight Board is to advise on the distribution of assets for those projects.

This report provides a summary of the pertinent information, issues, and potential ramifications of both options. Representatives from the CAO, CLA, City Attorney, Mayor's Office, HACLA, CRA/LA, and LAHD have met to explore both options. Given these options, our Offices recommend adopting a Resolution wherein the City elects to opt-in as the Housing Entity to carry out the former redevelopment agency's housing functions and responsibilities and identify the LAHD as the City's representative in carrying out these functions and responsibilities.

While it is not possible, at this time, to determine with certainty all the potential benefits, liabilities, and risks to the City for either LAHD or HACLA to assume the housing functions of CRA/LA, there are a number of factors that differentiate the argument to be the Housing Entity with the Successor Agency. Specifically, the City would not have to assume the salary and pension costs of CRA/LA employees, not all actions of the Housing Entity are subject to approval of the Oversight Board and the DOF, the City would retain the ability to monitor affordability covenants, some projects will be clearly transferred to the Housing Entity, and the City would assume responsibility for managing the CRA/LA loan portfolio.

Oversight Board

In order for housing projects to receive funding, projects must be included on the Enforceable Obligation Payment Schedule (EOPS). Like the Successor Agency, all projects on the EOPS are subject to review and approval by the Oversight Board and the DOF. As covered in more detail in the joint CLA/CAO report on the dissolution of CRA/LA (C.F. 12-0049), the Oversight Board is composed of seven members of which only two will be under the control of the City. As a result, the City will have to collaborate with the Successor Agency to justify projects that the Oversight Board elects to close-out without proper justification.

Housing Entity Analysis

The following will be applicable whether the City elects to take on the Housing functions of the former CRA/LA or not:

- Many actions will still be subject to the review and approval of the Oversight Board and the DOF.
- The City will have the ability to advocate for the retention continuation, and/or completion of certain housing projects.
- The City as an interested party would have the ability to provide information, input and recommendations in the form of oral and written presentations, correspondences, and reports.
- The City will appoint two members of the seven-member Oversight Board, with limited influence given the composition of the Oversight Board.
- **Both HACLA and LAHD will require additional resources to manage assets and perform housing functions, both in the short and long term.**

If the City elects to have **HACLA** serve as the Housing Entity, the following issues should be considered:

Pros

HACLA:

- Possesses experience in monitoring Section 8 projects.

Cons

HACLA:

- Does not have the capacity to manage the CRA/LA's housing assets and related functions and would require additional resources.
- Lacks experience in monitoring and enforcing regulatory agreements and covenants.
- Lacks familiarity with current and future City housing projects.
- Is primarily funded by restricted U.S. Department of Housing and Urban Development funds.
- Is currently without a permanent President and CEO which could make the transition of implementing new housing programs difficult.
- The City will have less control over HACLA activities because there is no oversight ordinance.

If the City elects to have **LAHD** serve as the Housing Entity, the following issues should be considered:

Pros

LAHD:

- Has the experience and infrastructure necessary to assume the assets and functions previously performed by CRA/LA.
- Possesses a working knowledge of a number of housing projects listed on EOPS.
- Collects loan repayments and manages the loan portfolio for 20,000 units of existing affordable housing.
- Has knowledge of housing funding mechanisms and different fund sources (HOME Funds, CBDG, Section 108, etc.).
- Experience with monitoring and enforcing regulatory agreements and affordability covenants.
- Experience with housing redevelopment law.
- Possesses staff that currently perform similar housing functions as CRA/LA.

Cons

LAHD:

- Does not have experience monitoring Section 8 projects.
- Would require additional resources to carry out the transferred CRA/LA housing functions.

Housing Assets and Assets with Mixed Funding Sources

Our Offices contacted the DOF to obtain clarification regarding the legislation and the definition of a housing asset. Based on the advice of DOF, anything obtained/funded with CRA/LA 20 percent low and moderate income housing funds (LMIHF) is a housing asset. Assets obtained/funded with 20 percent LMIHF and other funds, such as Tax Increment (TI), are to be apportioned based on the amount of the funding source. This will be determined by the Oversight Board. Real property is likely acquired with a mix of funds, including LMIHF. If the City has elected to become the Housing Entity by February 1, 2012, then the housing assets will be transferred to the City (and not the Designated Local Authority). Mixed source assets will be transferred after the Oversight Board is in place and can make a determination as to apportionment of the assets.

Based on the advice of DOF, housing assets listed on the EOPS will be transferred to the City as the successor housing entity along with any *encumbered* balances in the LMIHF. These funds would be used by the successor housing entity to pay for housing-related obligations (funded with 100% LMIHF) on the EOPS. Should SB 654 (Steinberg) be enacted, any *unencumbered* balances in the LMIHF would also transfer to the successor housing entity. LAHD estimates that there is approximately \$104 million in unencumbered LMIHF.

Loan Portfolio Management

Both LAHD and CRA/LA manage large loan portfolios for both single family and multifamily housing types. Active loan portfolio management is critical to long-term compliance, preservation of more than 25,000 units of affordable housing, and fiscal soundness of these housing properties. LAHD uses a combination of in-house staff and contract loan servicers to manage its loan portfolio. The loan portfolio functions in both agencies are likely to be similar, and merging the loan portfolio will create efficiencies with respect to asset management and loan servicing. LAHD reports that its loan management team is an experienced unit with a good track record of managing loans, working with third party lenders, and restructuring loans. No other agency in the City can do this job and protect the assets, City's financial interests, and the habitability and compliance interests of the residents. The bulk of LAHD's portfolio management work lies in the effective administration of residual receipts loans to affordable housing developers.

Residual receipts loans are unique to the affordable housing portfolio. Based on advice from DOF, any of the CRA/LA's loans funded entirely with LMIHF would transfer to the City as the successor housing entity (and not the Designated Local Authority appointed by the Governor).

The CRA/LA Residual Receipts Loan portfolio, estimated at approximately \$701.7 million, is roughly two thirds the size of the LAHD Residual Receipts loan portfolio, which totals approximately \$1.1 billion. LAHD has indicated that monitoring these refinancings will require additional staff resources.

Development Functions Previously Performed by the CRA/LA

LAHD staff has reviewed the EOPS published on the CRA/LA website and estimated the housing work program still in development. As shown in the table below, the CRA/LA pipeline consists of almost 5,800 units. LAHD is already involved in the funding and development of about 3,400 units, or almost 60 percent of this pipeline. LAHD management of CRA/LA funding for this pipeline is key to preserving the soundness of approximately \$143 million of LAHD funds and a total of \$400 million in City investment. A case-by-case review of housing development projects and contractual agreements is required for the projects that do not currently have LAHD funding to determine the additional workload for LAHD staff.

CRA/LA AFFORDABLE HOUSING DEVELOPMENT PIPELINE

	No. of Projects	No. of Units	CRA/LA Investment (\$ millions)	LAHD Investment (\$ millions)
Projects with CRA 5% Funds	32	1,857	\$61.3	\$91.3
Permanent Supportive Housing Projects	3	214	2.1	17.2
CRA Projects Applying for 2012 LAHD NOFA <i>(There are insufficient funds in the NOFA to fund all of these projects.)</i>	6	440	28.5	24.3
Other CRA Projects with LAHD Funds <i>(Includes only those projects that appear to have an enforceable commitment for funds not yet dispersed, based on LAHD's initial analysis. Excludes grant funding and additional housing-related EOPS items.)</i>	12	859	43.6	9.9
CRA Projects with No LAHD Funds <i>(Number of units is estimated based on average project size for 12 of the 32 projects for which count is currently available.)</i>	32	2,400	115.1	0.0
TOTAL	85	5,770	\$250.6	\$142.7

*Source: Los Angeles Housing Department

CRA/LA Investment represents CRA/LA direct loans. Excludes CRA 5% tax increment funds administered by LAHD.

LAHD Investment includes CRA 5% tax increment funds administered by LAHD.

Contracts between the City (LAHD) and CRA/LA

There are currently two contracts between the City (LAHD) and the CRA/LA: 1) Master Cooperation Agreement for Affordable Housing Trust Funds (AHTF) (CRA/LA Contract No. 502817) and 2) Permanent Supportive Housing Program (PSHP) Cooperation Agreement between LAHD, CRA/LA, HACLA and the Los Angeles Department of Water and Power (CRA/LA Contract No. 502932).

The Master Cooperation Agreement provides funding to the City's AHTF for the development of affordable housing units. This funding is often referred to as "five percent" funds as it is an additional five percent that is set aside by the CRA/LA for affordable housing in addition to the 20 percent required by California Redevelopment Law. There are currently 24 affordable housing development projects funded by this agreement for which the CRA/LA owes a total of approximately \$16.3 million as of January 12, 2012.

Our Offices obtained clarification from the DOF regarding these five percent funds. The extra five percent the CRA/LA contributes for low and moderate income housing activities is also a housing asset and will be transferred to the City. However, it is important to note that assets obtained with mixed sources of funding would also be subject to apportionment and review by the Oversight Board.

The Cooperation Agreement provides funding for the PSHP, which is specifically reserved for projects to assist chronically homeless individuals to transition from homelessness to self-sufficiency. There are currently three projects funded by this agreement for which the CRA/LA owes approximately six million dollars as of January 2, 2012. The Attachment provides the details for the approximately \$22.3 million owed to the City under CRA/LA Contract Nos. 502817 and 502932.

Occupancy Monitoring and Enforcement of Affordable Housing Covenants

Both LAHD and CRA/LA place affordability restrictions on new developments through the use of covenants and regulatory agreements. These restrictions typically last for 55 years and require annual monitoring to ensure the landlords' rents and tenants' incomes are in conformance with the restrictions.

The length of time income restrictions are in place varies by project depending on the source of funds used and other factors. LAHD currently monitors approximately 1,100 projects with a total of 20,000 affordability covenants.

In addition to occupancy monitoring, LAHD provides training, handles complaints and enforces covenants restrictions. The occupancy monitoring function is essentially the same in both departments, with the primary difference being the regulatory requirements underlying restrictions. The CRA/LA has approximately 23,000 affordable housing units in its portfolio with covenants that extend out as far as 2075. In addition, there are approximately 6,000 more units of affordable housing in the development pipeline, which represents approximately \$400 million in City funding and more than \$1.2 billion in total development costs.

Given the City’s commitment to affordable housing and preserving affordable units in the City, the Los Angeles Housing Department is in the best position to assume these responsibilities as they currently monitor and enforce regulatory agreements and affordable housing covenants Citywide.

LAHD has a strong occupancy monitoring department that has demonstrated excellent results in several audits over the past few years. The CRA/LA portfolio would add approximately 50 percent more projects and increase the number of units in LAHD’s current portfolios by 100 percent. An initial review of the existing covenants by LAHD suggests that there is only about a 10 percent overlap between the departments’ portfolios. Adding the CRA/LA covenants to the LAHD occupancy monitoring unit would maximize economies of scale and centralize policies and procedures. However, the addition of monitoring CRA/LA’s affordability restrictions would impose a long term, unfunded administrative burden on LAHD.

LAHD estimates the transition process will require a short-term transition team for up to 12 months. LAHD intends to work with our Offices to develop a transition plan and report back under separate cover regarding additional staffing resources and the associated funding.

The table below illustrates the relative size of the Departments’ covenant portfolios, some of which run through 2075.

Department/Agency	Projects	Units with Affordability Covenants
LAHD	1,100	20,000
CRA/LA	532	28,245

Section 8

In addition to the monitoring and enforcement of housing covenants, the entity assuming the housing functions will be responsible for the monitoring and compliance of Section 8 projects. CRA/LA currently serves as Contract Administrator for 31 Section 8 projects until 2015 and receives a monthly administrative fee of \$24,658. Tasks associated with being contract administrator include, but are not limited to: 1) monitoring and compliance of Housing Assisted Payments (HAP); 2) adjust rent contracts; 3) issue voucher payment requests from Section 8 owners/agents; 4) respond to health and safety issues; and, 5) renew HAP contracts.

Currently, LAHD does not monitor any Section 8 projects but the monthly fees generated from the administration of Section 8 contracts may be sufficient enough to hire additional staff with this expertise. However, LAHD will include a discussion of this monitoring function in their report back to the Mayor and Council.

Staffing and Resources

While the DOF advised that the City cannot access the five percent and three percent administrative funds referenced in AB1x26 to cover its staff costs associated with being the successor housing entity, DOF did indicate that LAHD will be able to retain the program income generated by the loan portfolio and can use these funds to pay for staff costs. It is unclear at this time whether these funds will be sufficient to cover all of these costs. LAHD will provide additional staffing projections, both in the short and long term, as part of their report back to the Mayor and Council.

Legislation

There are two redevelopment focused California Senate Bills that have been introduced: 1) SB 659 (Padilla) and 2) SB 654 (Steinberg). SB 659 would extend the date of the dissolution of redevelopment agencies from February 1, 2012 to April 15, 2012. The purpose of SB 659 is to temporarily delay the dissolution of redevelopment agencies in order to provide the opportunity to address legal, financial, and practical issues related to the dissolution of redevelopment agencies that cannot be addressed once the dissolution occurs. The Governor has already publicly expressed opposition to SB 659.

SB 654, an urgency measure, applies the following changes to AB1x26: 1) allows a city, county, or city and county of a dissolving redevelopment agency to retain the funds on deposit in the agency's low-and moderate income housing fund; 2) expands the type of agency loans from the host city or county that are enforceable obligations, as specified; 3) requires the monitoring of affordability covenants; and 4) identifies the State Department of Housing and Community Development to assume housing functions in the event that the local housing authority does not accept responsibility for those functions. The purpose of SB 654 is to preserve the outstanding balances in the LMIHF maintained by redevelopment agencies throughout the State for affordable housing. In the absence of this legislation, those funds not dedicated to existing obligations will be liquidated and distributed as property tax revenues to cities, counties, special districts, and schools. SB 654 also addresses enforcement of affordability covenants by replacing the word "may" with "shall" in the following section of AB1x26: "...formerly performed by the redevelopment agency may enforce affordability covenants..." thus requiring the continued monitoring of affordability covenants. On January 19, 2012, the Senate Appropriations Committee recommended approval of SB 654; the bill was subsequently discussed on the full Senate floor on January 23, 2012 and no action was taken. In addition, the City Council did approve support positions on both bills on January 24, 2012.

Liabilities

If the City elects to retain the housing assets and to perform the housing functions of the former redevelopment agency, one of the most significant yet unknown liabilities is the City's exposure to housing related lawsuits from contractors, developers, and others due to some planned projects being shelved because of the lack of funding through the LMIHF, project delays and other activities associated with the close out activities of CRA/LA. It should be noted that as the Housing Entity, the City's exposure to potential litigation would be limited to housing projects. The cost of the litigation defense of already filed housing matters against CRA/LA is arguably the duty of the DLA if listed on the EOPS. However, the legislation is unclear for new cases filed after the transfer of the housing function to the City. Cases regarding the prior actions of the CRA/LA or the DLA would likely be defended by the DLA. The potential exposure to litigation also includes actions by third parties impacted by the housing activities of CRA/LA, including the Mei Ling and Independent Living Center cases. Additionally, the Department of Justice (DOJ), Civil Fraud Section, is conducting an investigation into whether the City and CRA/LA violated various federal statute and regulations, including the False Claims Act, in regard to the use of federal funds in the provision of housing for disabled persons. The City, however, would

still be required to defend actions against it involving City actions. The CLA and CAO will continue to monitor these cases will report back to Council with any updates.

CONCLUSION

The analysis of the legislation and the benefits and risks associated with becoming the Successor Housing Entity do not immediately lead to a clear course of action. The Oversight Board, with the City's limited participation, and the three-person panel appointed by the Governor as the DLA responsible for winding down the redevelopment agency will ultimately be responsible for determining when and how housing assets of the CRA/LA are transferred to the City. We anticipate that the DLA will be formed shortly after February 1, 2012, and look forward to the transition and transfer of housing assets and functions to the City. However, because of the lack of clarity of AB1x26, it is likely the City will have to present its arguments to these entities, and possibly to the DOF, to ensure that all eligible housing assets and functions are transferred.

There are risks associated with becoming the Housing Entity, but many of these are largely unquantifiable at this time. As indicated, there is risk of litigation, an investigation by the DOJ, and staffing costs associated with assuming these assets and responsibilities. However, these liabilities need to be weighed in the context of the City receiving additional property tax as a result of the dissolution of redevelopment agencies statewide, encumbered funds in the Low and Moderate Income Housing Fund (LMIHF), and the opportunity for the City to ensure the future affordability of nearly 30,000 housing units.

Similarly, should SB 654 pass, and the City opts-in, the bill provides that any amounts on deposit in the LMIHF of a dissolved redevelopment agency be transferred to the city that elects to retain the housing assets and functions previously performed by the redevelopment agency. These funds will be transferred to the City to be maintained in a separate Low and Moderate Income Housing Fund and expended pursuant to the provisions of the Community Redevelopment Law relating to the LMIHF. LAHD estimates that there is approximately \$104 million in unencumbered funds in the LMIHF. However, if the City opts out, the legislation has identified that the HACLA is the default entity that assumes the housing functions previously performed by the CRA/LA, including all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the redevelopment agency. In this situation, HACLA would also assume any amounts in the LMIHF available to the Housing Entity and the City could engage in discussions to provide technical assistance to HACLA for housing related functions.

In conclusion, our Offices have identified and discussed the potential issues, benefits and disadvantages to the City if LAHD were to become the successor housing agency for CRA/LA. Many of these issues remain unquantifiable at this time and some actions will still be subject to the review and approval of the DLA, the Oversight Board and the DOF. However, the advantages to the City if it were to assume the role of Housing Entity are more compelling. As a result, we recommend that the City adopt a Resolution to opt-in as the Housing Entity and have LAHD assume the housing assets and functions of the CRA/LA. The ability of the City to ensure the preservation of nearly 30,000 affordable housing units is significant and can best be achieved through this action.

RECOMMENDATIONS:

That the Council, subject to approval of the Mayor;

1. Adopt a Resolution wherein the City elects to opt-in as the Housing Entity to carry out the former redevelopment agency's housing functions and responsibilities; identifies the Los Angeles Housing Department as the City's representative in carrying out the housing functions and responsibilities; and submit to the State Department of Finance and County Auditor-Controller by January 31, 2012;
2. Instruct the Los Angeles Housing Department with the assistance of the City Administrative Officer and Chief Legislative Analyst to report to the Mayor and Council with a transition plan that details the necessary resources for short and long-term management of the former redevelopment agency's housing assets, functions and responsibilities; and,
3. Request the Successor Agency or the Designated Local Authority, as applicable, and the Oversight Board to assist in effectuating the transfer of all housing assets to the City of Los Angeles in an expeditious manner.

FISCAL IMPACT STATEMENT

While the fiscal impact of the City becoming the Housing Entity is not entirely quantifiable at this time, the City will receive additional property tax as a result of the dissolution of the redevelopment agencies statewide; however, the exact amount is not known. In addition, as the Housing Entity, encumbered funds in the Low and Moderate Income Housing Fund (LMIHF) will transfer to the City for housing projects. Should SB 654 (Steinberg) pass, and the City opts-in as the Housing Entity, the bill provides that any unencumbered funds in the LMIHF will transfer to the Housing Entity. LAHD estimates that there is approximately \$104 million in unencumbered funds in the LMIHF. However, if the City opts out, the legislation has identified that the HACLA is the default entity that assumes the housing assets and functions previously performed by the CRA/LA, including any funds in the LMIHF.

In addition to the LMIHF that will come to the City as the Housing Entity, the City may receive program income from repayment of loans transferred from the former redevelopment agency that could be used to offset the short and long-term costs associated with assuming the housing functions and responsibilities and mitigate the potential impact to the General Fund.

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Attachment

ATTACHMENT

	CRA SHARE	CRA REIMBURSEMENT	BALANCE OWED LAHD
Master Cooperation Agreement for Affordable Housing Trust Funds (AHTF) – CRA/LA contract # 502817			
The Bricker	627,878.00	-	627,878.00
Sunrise	265,000.00	265,000.00	-
Boyle Hotel	618,941.00	618,941.00	-
Vermont Avenue Apartments	265,500.00	265,500.00	-
Yale Terrace	494,600.00	294,600.00	200,000.00
Cuatro Vientos	1,592,690.00	1,278,900.00	313,790.00
Central Village Apartments	138,000.00	138,000.00	-
Menlo Park	1,401,342.00	783,946.00	617,396.00
PH & D Apartments	980,000.00	980,000.00	-
Canby Woods	2,347,003.00	-	2,347,003.00
NoHo Senior Villas	705,000.00	-	705,000.00
Sherman Village	342,905.00	-	342,905.00
Hollywood Scattered Sites	514,000.00	164,000.00	350,000.00
Central City Apartments	250,000.00	-	250,000.00
Osborne Place Apartments	567,000.00	-	567,000.00
Sherman Way (Three Courtyards/Ivy Terrace)	360,725.00	330,231.00	30,494.00
La Coruna Senior Apartments	567,000.00	-	567,000.00
Yale Street Family Housing	760,553.00	-	760,553.00
MPM Apartments	718,552.00	-	718,552.00
Osborne Street Apartments	1,109,323.00	-	1,109,323.00
Gateway Apartments	1,193,960.00	-	1,193,960.00
Caroline Severance Manor	674,557.00	-	674,557.00
Jefferson Boulevard and Fifth Street	1,088,354.00	-	1,088,354.00
Jefferson Park Terrace	494,457.00	-	494,457.00
Star Apartments	256,517.00	-	256,517.00
The Gordon	1,232,726.00	-	1,232,726.00
The Whittier	497,084.00	-	497,084.00
Vineland Avenue Senior Housing	1,200,212.00	-	1,200,212.00
The Serrano	180,000.00	-	180,000.00
TOTAL DUE LAHD	21,443,879.00	5,119,118.00	16,324,761.00
PERMANENT SUPPORTIVE HOUSING - CRA contract #502932			
New Carver Apartments LP	3,674,792.00	-	3,674,792.00
Renato Apartments LP	849,208.00	-	849,208.00
820 Burlington LP	1,476,000.00	-	1,476,000.00
Total	6,000,000.00	0.00	6,000,000.00
GRAND TOTAL DUE LAHD	27,443,879.00	5,119,118.00	22,324,761.00

RESOLUTION

A resolution adopted pursuant to Section 34176(a) of the California Health & Safety Code indicating the City of Los Angeles' election to retain the housing assets and functions of The Community Redevelopment Agency of the City of Los Angeles, California.

WHEREAS, the Council of the City of Los Angeles, by the adoption of a Resolution on April 15, 1948, established The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) pursuant to the Community Redevelopment Law (CRL) contained in the California Health & Safety Code (Section 33000 *et. seq.*) (Council File No. 32417); and

WHEREAS, CRA/LA has, since its establishment, been required to set aside twenty percent (20%) of the annual property tax increment it receives for the provision of housing opportunities for persons and families of low and moderate-income and to take various other actions related to the provision of affordable housing as required by the CRL; and

WHEREAS, CRA/LA has, in exercising its rights and powers and performing its duties and obligations with regards to the provision of affordable housing under the CRL, made loans for the development and/or retention of affordable housing, acquired various interests in real property for such purposes and, in agreement with the City, set aside an additional five percent (5%) of the annual property tax increment it receives for affordable housing activities; and

WHEREAS, the California State Legislature, in conjunction with its adoption of the 2011-2012 State budget, passed Assembly Bill 1x 26 (AB 26) on June 15, 2011 and the Governor signed the bill on June 28, 2011; and

WHEREAS, AB 26 amended various provisions of the CRL and added Parts 1.8 (Restrictions on Redevelopment Agency Operations) and 1.85 (Dissolution of Redevelopment Agencies and Designation of Successor Agencies) thereto which, among other things, immediately suspended most of the powers and authorities of redevelopment agencies and provides for their dissolution as of October 1, 2011; and

WHEREAS, Section 34176(a) of Part 1.85 provides that the city or county or city and county that authorized the creation of the redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency; and

WHEREAS, Section 34176(a) of Part 1.85 further provides that, should such an election be made, all rights, powers, duties, and obligations, excluding any funds on

deposit in the redevelopment agency's Low and Moderate Income Housing Fund, shall be transferred to the city, county or city and county; and

WHEREAS, the City desires to retain the housing assets obtained or acquired with the funds identified above and to perform the housing functions previously performed by CRA/LA, but only if the City is not subject to financial obligations or liabilities of CRA/LA or otherwise that are significantly above and beyond the value of the housing assets retained by the City and the funds that may be obtained from any successor agency to CRA/LA and the City Council does not intend, by adoption of this Resolution, to pledge, at this time, any of its general fund revenues or other assets to make any payments required under Part 1.85 or to meet any of the housing obligations assumed hereby; and

WHEREAS, the date for dissolution for redevelopment agencies was extended to February 1, 2012 as a result of the stay issued by the California Supreme Court in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (Case No. S1914861), and the Court's upholding the constitutionality of AB 26; and

WHEREAS, the City of Cerritos and the Cerritos Redevelopment Agency and a number of other cities and redevelopment agencies filed an action in Sacramento Superior Court seeking to enjoin the implementation of most of the provisions of AB 26 and challenging the legality of provisions of the statute on various constitutional grounds (*City of Cerritos, et al. v. State of California, et al.* (Sacramento County Superior Court No. 34-2011-80000952); and

WHEREAS, the City Council does not intend, by adoption of this Resolution or by the taking of any actions authorized hereby, to waive any of its constitutional and/or legal rights it has in regards to AB 26, and, therefore, reserves all of its rights to join the litigation filed by the City of Cerritos and/or to otherwise challenge the validity of any or all provisions of AB 26 in any administrative or judicial proceeding and/or repeal this Resolution.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City, pursuant to California Health & Safety Code Section 34176(a), hereby elects to retain the housing assets of CRA/LA and to perform the housing functions under the CRL previously performed by CRA/LA and accept transfer of all rights, powers, duties and obligations, except as otherwise provided in Part 1.85, of CRA/LA related to the housing assets and functions.
2. The City Administrative Officer is directed to file a copy of this Resolution with the County Auditor-Controller, California Department of Finance and other appropriate governmental officials by January 31, 2012.

3. The Los Angeles Housing Department (LAHD) is designated to perform the housing functions accepted hereby and the LAHD General Manager, or designee, is authorized to execute any documents and to take such other actions as necessary to retain the housing assets of CRA/LA, to enter into agreements or amendments to agreements regarding enforceable housing obligations of CRA/LA and to exercise the rights and powers and perform the duties and obligations under the CRL previously exercised or performed by CRA/LA.
4. The City Council does not intend, by adopting this Resolution and authorizing actions hereby, to, in any way, acknowledge the legal validity or enforceability of AB 26 or waive its rights to challenge the validity or enforceability of AB 26 and therefore reserves its rights to challenge the validity of any and all provision of AB 26 in any administrative or judicial proceeding.