

TRANSMITTAL

To:

THE COUNCIL

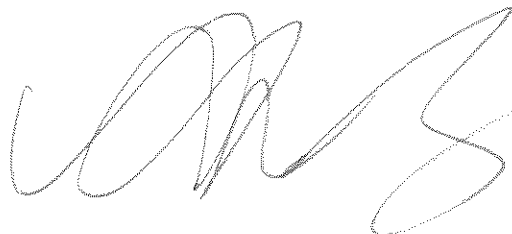
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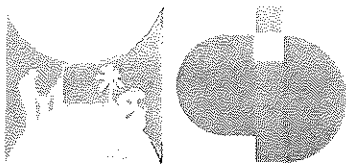
THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



ERIC GARCETTI
Mayor

Ana Guerrero



HOUSING + COMMUNITY
Investment Department

Housing Development Bureau
1200 West 21st Street | Los Angeles, CA 90017
Tel: 213 808 8638 | Fax: 213 808 8610
hcidla.org



Eric Garcetti, Mayor
Rushmore D. Conzanos, General Manager

November 17, 2015

Council File: 15-1183
Council District: 9
Contact Persons: Manuel Bernal (213) 808-8901
Helmi Hisserich (213) 808-8662

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

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORIZATION TO EXECUTE LOAN AGREEMENT FOR THE TRANSFER OF THE ANGELUS FUNERAL HOME TO HOLLYWOOD COMMUNITY HOUSING CORPORATION FOR THE PURPOSE OF DEVELOPING AFFORDABLE HOUSING

SUMMARY

On October 14, 2015 the City Council approved a motion (Attachment A) to transfer the Angelus Funeral Home, located at 1010 Jefferson Boulevard in the 9th Council District (the “Property”) to the Hollywood Community Housing Corporation (HCHC) for the purpose of developing affordable housing (C.F. 15-1183). As part of the motion, the Los Angeles Housing + Community Investment Department (HCIDLA) was directed to transmit a report to City Council that includes (i) a proposed loan agreement with HCHC in the amount of \$1.2 million and (ii) a detailed description of the transaction. This transmittal has been written to address those requests.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests the following:

- I. That your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate Committee(s) of the City Council and forward it to the City Council for review and approval immediately thereafter;

- II. That the City Council, subject to the approval of the Mayor, take the following actions:
- A. Authorize the HCIDLA General Manager, or designee, to execute a loan agreement with Hollywood Community Housing Corporation for the purchase of the Property, substantially in the form of Attachment B, and subject to City Attorney approval as to form.
 - B. Authorize the HCIDLA General Manager, or designee, to execute a subordination agreement for the project, wherein the City loan and regulatory agreement are subordinated to a predevelopment loan.
 - C. Adopt the Ordinance prepared by the City Attorney authorizing the sale of the Angelus Funeral Home to Hollywood Community Housing Corporation.
 - D. Authorize the HCIDLA General Manager, or designee, to prepare Controller's Instructions and any necessary technical adjustment(s), consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

BACKGROUND

On October 14, 2015 the City Council approved a motion to transfer THE Angelus Funeral Home, located at 1010 Jefferson Boulevard in the 9th Council District (the "Property") to the Hollywood Community Housing Corporation (HCHC) for the purpose of building affordable housing (C.F. 15-1183). As part of the motion, HCIDLA was directed to transmit to City Council a report with greater detail of the transaction.

Project History

On October 5, 2007, the City Council authorized the Los Angeles Community Development Department (CDD) to lend Community Enhancement Corporation (CEC) \$1,000,000 in Community Development Block Grant (CDBG) funds for the purchase of the Property. The Property was purchased from the Community Redevelopment Agency/Los Angeles (CRA/LA) and was to be used by CEC for the provision of child/health care and educational/training services to local low-moderate income residents (CF# 06-0100-S12). Because CEC was not able to provide the services as required under the Service Payback Loan Agreement, on March 7, 2013, a Trustee's Deed Upon Sale conveyed the Property from CEC to the CDD.

In July 2013, the City Council and the Mayor merged the Los Angeles Housing Department (LAHD) and the community services portion of the CDD into a new department re-named the Los Angeles Housing + Community Investment Department (HCIDLA). The aforementioned property is among the real estate assets brought to the HCIDLA by the former CDD.

Since then, HCIDLA has actively managed the Property with the assistance of the General Services Department. However, being that the Property has been vacant for many years, it is

an easy target for vandalism and other illegal activity. Despite the City's best efforts, the Property remains a blight and a danger for the surrounding community.

Moreover, a title report dated June 4, 2015, and related Tax Assessor detailed reports, show that the property is carrying a property tax liability of approximately \$333,000. The documentation shows that property taxes have not been paid since 2008. As a result, a portion of the property tax liability consists of accrued interest and penalties. The total amount due is subject to change as interest and penalties continue to accrue.

Finally, because the Property was acquired with CDBG funds it must meet a National Objective of benefiting very low and low income persons. Since child care and/or health care services were never initiated by CEC, the National Objective was never met. This situation has placed the \$1 million of CDBG funds at risk of being re-captured by the United States Department of Housing and Urban Development (HUD). Per the letter dated November 5, 2015, HUD has given the HCIDLA until December 15, 2015 to "submit the written plan of development for this project, including a written agreement, documentation of financing or application planning times, and a timeline for completion."

Project Sponsor

Because of the re-capture risk facing the City, the Mayor and City Council approved a sole source transfer to HCHC. Los Angeles Administrative Code Section 7.27 ("Private Sale") permits the sale of City-owned real property without notice of sale or advertisement for bids provided that the City Council determines that the public interest or necessity requires such sale. HCIDLA believes that the public interest and necessity require the sale of the Property to HCHC, a community development organization whose mission includes neighborhood, housing, and economic development. The primary reason being that HCHC is in pre-development on the Florence Mills project located immediately across the street from the Project, and can efficiently merge both projects to facilitate and expedite raising development capital and maximizing economies of scale during operations, and in so doing meet the National Objective through the production of affordable housing.

Florence Mills

Florence Mills is a 74-unit affordable large family housing development located at 3501 S. Central Avenue, 3509 S. Central Avenue, 1037-1041 East Martin Luther King Blvd, 1036 E. 35th Street and 1046 E. 35th Street in South Los Angeles. The proposed development is the combination of 6 parcels. The previous uses of the parcels were a liquor store (now demolished), an abandoned theater (now demolished), and a single family home (now demolished). There is still an 8-unit apartment building on one of the parcels and a triplex on another. The residents of the buildings are scheduled to be relocated and those buildings will also be demolished. The residents will be given the first right to move into the new housing if they are income qualified.

The residential portion of the development will offer 13 one-bedroom, 37 two-bedroom and 24 three-bedroom units. There will be 75 parking spaces for the residents. The average size of the units will be 612 SF for the one bedrooms, 888 SF for the two bedrooms and 1,187 for

the three bedrooms. All units will be affordable to families at or below 60% of Area Median Income (AMI).

There is 5,000 SF set aside for a proposed commercial use. HCHC hopes to work with the South Central Family Health Center to put a health care use in the 5,000 SF commercial space at Florence Mills. The Mission of South Central Family Health Center (SCFHC) is to improve the quality of life for the diverse community of inner-city Los Angeles by providing affordable and comprehensive health care and education in a welcoming and multi-cultural environment. As a Federally Qualified Health Center (FQHC), SCFHC provides medical services to clients independent of their ability to pay, taking care of the insured and the uninsured.

Florence Mills is situated in the South Los Angeles neighborhood with many local institutions. There is a police station, a fire station, and a church within one block of the site. There are several nearby parks and a library within half a mile, and several local schools within close proximity.

Financing for Florence Mills includes a \$3.1 million loan from the former CRA/LA, now administered through HCIDLA. In addition, the financing includes a conventional loan, AHP Funds, tax credit equity, and a deferred developer fee. Total development costs are projected at \$34.6 million. Finally, Florence Mills was adopted into the City's Affordable Housing Managed Pipeline in 2014, and it is scheduled to compete for an allocation of Low Income Housing Tax Credits (LIHTC) in mid-2016 and begin construction by late 2016.

Angelus Funeral Home

The proposed redevelopment of the Property will include both rehabilitation and new construction totaling 41 affordable units. The historic structure designed by Paul Williams will be rehabilitated to include a resident community room, a large multi-use lobby area, on-site manager's office and resident services office. The historic component will also include 7 affordable units broken into 5 one-bedroom units, 1 two-bedroom unit and 1 three-bedroom unit.

The new construction component will be located in the current parking lot and will be oriented to 35th Street and consist of a 40,000 SF building that will be configured to include 34 units of housing broken out into 6 one-bedroom flats, 16 two-bedroom flats, 4 three-bedroom flats and 8 three-bedroom townhouses. All units will be affordable to families at or below 60% of Area Median Income (AMI).

The property will be designed to achieve LEED Silver certification. Ten percent of the units will meet ADA physical requirements, four percent will meet ADA sensory requirements and the remaining units will be adaptable. Each unit will have central air conditioning and heat, refrigerator, stove, dishwasher, and solar pre-heated hot water service that will be central to the building.

The site is currently zoned M 1-1. HCHC will request a zone change to CM-2, which will expedite the conversion of the property from light manufacturing use to residential.

Additionally, a density bonus will be requested to increase the density by 10% from 37 units by-right under CM-2 to 41 units, assuming average density of 800 SF/unit. This development will target large families.

The Project applied and was admitted into the Affordable Housing Managed Pipeline on October 30, 2015 (C.F. 15-0340). The admission to the Managed Pipeline places the project in the City's queue of low income housing tax credits and subsidies. HCHC will bring past due property taxes current at the time of property transfer. In order to facilitate this, HCIDLA will allow HCHC to secure a predevelopment loan and subordinate the city's loan to private debts.

Finally, even though the original CDBG cash investment was \$1 million, the current appraised value of the Property is \$1.2 million. Therefore, HCIDLA recommends that the property be sold to HCHC for the \$1.2 million amount. To facilitate the sale, HCIDLA will provide a loan to HCHC for the same amount. No cash will be exchanged as part of this transaction.

Milestones

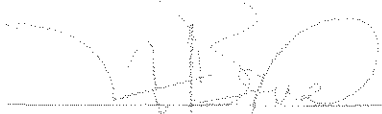
Secure AHTF Pipeline Commitment	October 2015
Site Control	December 2015
Complete Entitlements	June 2016
Apply for LIHTC	July 2016
Construction start	December 2016
Construction Completion	March 2018
Lease-up-100% occupancy	May 2018

In summary, the proximity of the Angelus Funeral Home to Florence Mills makes the transfer of the Angelus Funeral Home to HCHC the logical next step. HCHC can easily merge Florence Mills and the Property into a larger mixed-use development meeting a National Objective, thus ending the negative impact resulting from the Property's current physical condition and resolving potential re-capture threats in an expedited manner. HCHC has agreed to act as a sub-recipient and develop this Property acquired with CDBG funds into service-enriched affordable housing for low-income residents and meet a required National Objective. Finally, HCIDLA recommends transferring development control of the Property to HCHC through a development agreement documentation consistent with previous HCIDLA transactions of this nature. A development agreement would ensure that HCIDLA controls the performance milestones necessary to move the full development of housing and services forward.

FISCAL IMPACT STATEMENT

There is no impact on General Fund. Approval of the recommendations will allow for immediate transfer of the Property to HCHC. By doing so, the City will effectively reduce the risk of recapture of \$1 million in federal funds for not having met a required National Objective.

Prepared by:



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Director, Finance & Development Division

Reviewed by:



HELMI HISSERICH
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachment A: Motion Adopted October 14, 2015
Attachment B: DRAFT Loan Agreement