

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

CAO W.A. #0220-04830-0000
 C.F. 16-0600
 Council District All

Date: June 3, 2016

To: The Council

From:  Miguel A. Santana, City Administrative Officer
 Chair, Municipal Facilities Committee



Subject: **TRANSMITTAL – REPORT FROM THE CITY ADMINISTRATIVE OFFICER TO REQUEST AUTHORITY FOR VARIOUS ACTION RELATED TO THE EVALUATION, DISPOSITION, AND DEVELOPMENT OF AFFORDABLE HOUSING OPPORTUNITY SITES**

At the Special Municipal Facilities Committee meeting on June 1, 2016, the Committee considered the attached report from the City Administrative Officer (CAO) and adopted the recommendations with amendments. The amended recommendations, as adopted by the MFC, and now forwarded for Mayor and Council consideration below are:

That the Council, subject to the approval of the Mayor:

1. Add the City Administrative Officer (CAO) Property Review and Evaluation Process to the Asset Management Framework for any other City-owned properties identified as appropriate sites for affordable housing;
2. Authorize the CAO Prepare and release a Request For Qualifications/Proposals (RFQ/P), with assistance from pertinent departments, to identify qualified applicants for the development of City-Owned Assets to create housing. The result will be a list of prequalified developers that are capable of producing various types of housing, including but not limited to permanent supportive housing, affordable housing, mixed-income housing and affordable homeownership, with a goal of maximizing the number of permanent supportive housing units created;
3. Instruct CAO and CLA to report to Council on:
 - a. The recommended list of qualified developers;
 - b. Recommendations on entering into Exclusive Negotiating Agreements with qualified developers for one or more of the eight sites that are included in the RFQ/P;
 - c. The proposed deal points for Disposition and Development Agreements for the eight sites that are included in the RFQ/P;
 - d. A Memoranda of Understanding (MOU) for economic development opportunities for one or more of the eight sites included in the RFQ/P and to authorize the General Manager of the Economic and Workforce Development Department, or their designee, to execute MOUs approved by Council.
4. Instruct CAO and CLA to provide periodic updates to the MFC and Council on status of the Affordable Housing Opportunities Sites Program (AHOS);
5. Authorize the CAO and CLA to prepare Controller instructions for any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the

approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

FISCAL IMPACT

There is no immediate impact to the General Fund for approval of the request to release the RFQ/P. However, there may be impacts in the future related to additional staffing or funding for consultant services. Potential future costs will be monitored and reported through the Municipal Facilities Committee.

Attachment
MAS:YC

Doc Id: 15160022

REPORT FROM

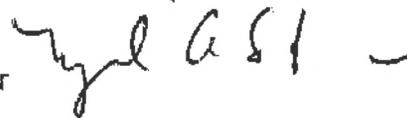
OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 31, 2016

CAO File No. 0220-04830-0000
Council File No. 16-0600
Council District: All

To: Municipal Facilities Committee

From: Miguel A. Santana, City Administrative Officer



Reference: Strategy 7D – Using Public Land for Affordable and Homeless Housing

Subject: **REQUEST FOR AUTHORITY FOR VARIOUS ACTIONS RELATED TO THE
EVALUATION, DISPOSITION, AND DEVELOPMENT OF AFFORDABLE
HOUSING OPPORTUNITY SITES**

RECOMMENDATIONS

It is requested that the Municipal Facilities Committee (MFC) recommend that the City Council, subject to the approval of the Mayor, take the following actions:

1. Approve the CAO Property Review and Evaluation Process for the properties identified in the FY 2016-17 Budget and for any other City-owned properties identified as appropriate sites for affordable housing and/or sale to generate revenue for the Affordable Housing Trust Fund (AHTF).
2. Authorize the City Administrative Officer (CAO) to prepare and release a Request For Qualifications (RFQ) to select qualified applicants for the development of City-Owned Assets to create housing. The result will be a list of pre-qualified developers that are capable of producing various types of housing, including but not limited to permanent supportive housing, affordable housing, mixed-income housing and affordable homeownership;
3. Authorize the CAO, with the assistance of the City Attorney, to enter into Exclusive Negotiating Agreements with qualified developers who respond to the RFQ and provide periodic updates to the MFC and Council on status of the Affordable Housing Opportunities Sites Program (AHOS);
4. Authorize the General Manager of the Economic Workforce Development Department (EWDD), or their designee, to execute one or more Memoranda of Understanding (MOU) for economic development opportunities related to City-owned public land:
 - a. Instruct the Controller to deposit the proceeds from the sale of AHOS sites directly to the Affordable Housing Trust Fund; and

- b. Authorize the CAO to prepare Controller instructions for any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

SUMMARY

The Fiscal Year (FY) 2016-17 Adopted Budget proposes to leverage City-owned land worth approximately \$47 million to begin a multi-year on-going effort to increase the availability of permanent supportive and affordable housing. This report provides the background on these efforts and outlines how the City, through more efficient, innovative and cross-departmental collaborations, created a property review and evaluation process to identify and vet proposed properties. The first set of properties included in the FY 2016-17 Adopted Budget, were vetted using this evaluation process and additional properties will undergo similar review.

This report requests authority to prepare and release a solicitation document, which will result in the establishment of a pre-qualified list of qualified developers prepared to work together with the City in these efforts. Through the solicitation and implementation of recommendations, the City will spur housing development through use of the sites as either a land subsidy, a ground lease or a sale at fair market value to generate proceeds to subsidize production of affordable housing. These efforts will have the direct impact of rapidly repurposing vacant, underutilized and sometimes nuisance City-owned properties for the benefit of housing and reducing homelessness on the streets of Los Angeles.

BACKGROUND

Los Angeles is dealing with a homelessness crisis. There are approximately 28,464 people who are living unsheltered in the City Los Angeles (2016 Homeless Count), and there are thousands more who are at risk of homelessness. Mayor Garcetti and the City Council have made addressing homelessness a top priority. In January 2016, a Comprehensive Homeless Strategy (CHS) report was issued jointly from the Office of the City Administrative Officer (CAO) and the Office of the Chief Legislative Analyst (CLA). After multiple public hearings and thoughtful deliberation, the CHS was approved by Council on February 9, 2016. The CHS analyzed various ways to solve the problem of homelessness and listed 64 specific short, medium and long-term strategies for achieving the goal of reducing the number of people in Los Angeles living without safe, adequate shelter and services.

The CAO Asset Management Group has been working with staff from across the City to implement Strategy 7D, "Using Public Land for Affordable and Homeless Housing", a strategy that is anticipated to be long-term. As part of the FY 2016-17 proposed and adopted budget process, CAO worked with the Mayor's and Council Offices, the CLA, General Services Department (GSD), Department of City Planning (DCP), Bureau of Engineering (BOE) and the Office of the City Attorney to focus on implementation of this strategy. CAO and the Mayor's

Office have also had discussions with departments such as Department of Transportation (DOT), Bureau of Sanitation (BOS), Bureau of Street Services and Housing and Community Investment Department (HCID) on current use and proposed operational impacts from use of the identified properties.

Through this coordinated effort, eight potential sites were identified for affordable and homeless housing. Each of the sites identified were either vacant, surplus or underutilized and recommended or approved by the Council office in which they are located. The Mayor proposed and the Council has now reaffirmed its support through the FY 2016-17 Adopted Budget, which includes \$138 million to address homelessness, of which \$47 million is anticipated to come from these vacant or underutilized properties in the form of housing or cash generated from the sale or lease of the properties. As these sites were vetted and the City performed its due diligence after the preliminary analysis, one of the proposed properties, Eagle Rock Fair Park, has been placed on hold at this time due to its use by Street Services, and will be excluded from the first Request For Qualifications (RFQ). Council District 15 proposed a new site, Old Fire Station 53, which has been added to the list.

The properties are reflected in the table below:

List of Potential Affordable Housing Opportunity Sites

	Site Name	Address / APN	CD	Size (SF)
1	Lincoln Heights DOT Lots	136-164 S. Avenue 24 216-224 S. Avenue 24	1 Cedillo	114,040
2	HCID Hillside Parcel	11681 W. Foothill Blvd, Sylmar 2530-008-901	7 Fuentes	132,095
3	Imperial Lot	283 W. Imperial Highway 6074-024-900	8 Harris-Dawson	17,385
4	Thatcher Yard	3233 S. Thatcher Avenue 4229-002-901	11 Bonin	93,347
5	Old West LA Animal Shelter	11950 Missouri Avenue 4258-020-900	11 Bonin	32,642
6	Old Fire Station #5	6621 W. Manchester Avenue 4112-029-900	11 Bonin	19,507
7	Venice Dell Pacific Site	125 E. Venice Boulevard 4238-024-900 to -911	11 Bonin	122,171
8	Eagle Rock Fair Park (ON HOLD)	2239 W. Fair Park Avenue 5686-021-900 and 901	14 Huizar	38,385
9	Old Fire Station 53	438 N. Mesa Street 7449-009-900	15 Buscaino	8,990

As indicated earlier, Strategy 7D is a long-term strategy that will allow the City to continue to identify properties that can be used as leverage to address homelessness and housing affordability. City staff have already engaged and developed a phased and deliberate evaluation process for the initial sites that will determine suitability, financial feasibility, market value, zoning, potential entitlements and best use, among other factors.

The Property Review and Evaluation Process provide the framework for how the initial nine properties are being reviewed and the basis for future review of the on-going program.

CAO PROPERTY REVIEW AND EVALUATION PROCESS (PREP)

The defined Property Review and Evaluation Process or PREP consists of five distinct steps which are summarized below and detailed in Attachment A to the report.

1. *Identification and Initial Review* – determination of availability and owner or user of site, current use, adjacent use, access, approximate value, suitability of site, potential number of housing units, financial encumbrances to sale or lease proceeds, location relative to transit, services and other amenities, and any environmental concerns.
2. *Due Diligence* – determination of zoning and probable zoning designation, clearances or waivers that may be needed, the building envelope, determination of ownership and value through title report and property appraisals, land survey and property appraisal information can be requested.
3. *Disposition Plan* – determination of best use, additional site visits.
4. *Disposition Plan Review and Approval* – review by oversight committees and recommendations on appropriate disposition plan.
5. *Disposition Action* – issuance of request for proposals, request for bids, RFQ or other solicitation document and negotiations of subsequent agreements.

In Step 1, CAO conducts the Identification and Initial Review of potential sites that can be identified or proposed by any department, Council District or City entity. Step 2 or Due Diligence process will require input by other departments, such as BOE, Building and Safety, GSD, HCID, DCP. Relocation of current uses may also be considered if a site is deemed suitable for housing but is currently occupied. This phase may require the assistance of consultants and funding, if not already designated, to complete the work. Step 3 will include preparation of a detailed analysis of the site and a recommended disposition plan. In Step 4, the disposition plan will be presented to the relevant oversight committees for review and subsequently to Council and its Committees for their review and approval. Step 5 will be the implementation of the Disposition Plan after Council approval with periodic updates to the MFC and Council.

Approval of the PREP should allow City staff to work expeditiously, lessen redundancy in the review and approval process, but more importantly, allow a steady on-going flow of new housing.

REQUEST FOR QUALIFICATIONS (RFQ) FOR VARIOUS HOUSING CATEGORIES

There is a well-established model for the creation of affordable housing in Los Angeles. Over time, an industry has developed that produces well-designed and well-managed properties. This sector includes for-profit and non-profit affordable housing developers, service providers, property managers, financing consultants, attorneys, architects and contractors that all specialize in this type of housing. Large conventional banks have community lending divisions and there are specialized financial institutions that have evolved specifically to service this sector.

This model, which has evolved over the last 40 years, produced over 1,000 units of affordable housing in Los Angeles annually through 2011. Since the dissolution of the Redevelopment Agency (CRA) in June of 2012, and the reduction of HOME funds by approximately 50 percent, the number of affordable units produced annually in Los Angeles has dropped by approximately two thirds. This reduction in resources and drop in affordable housing production, a few years after the recession, has exacerbated the existing crisis in housing affordability in Los Angeles.

New funds such as Cap and Trade and the County Homes for Health program have become available to increase production. However, under the current system, the average timeline for new projects has been up to five years from conception to completion. The Mayor and City Council are committed to supporting both an increase in production and finding ways to produce housing more rapidly to respond to the current demand.

By identifying and using public land for affordable and homeless housing, the City can speed up the process of getting units completed and subsidize housing development, since developers will not need to identify a site. Also, if additional resources are available from the sale or ground lease of City-owned sites, the funding could be used to produce units more rapidly. There is currently a two year wait for the City's Managed Pipeline program that manages access to the geographic apportionment of the Nine-Percent Tax Credit program.

We are recommending that the CAO be authorized to prepare and issue an RFQ that will result in a pre-qualified list of developers who will move quickly to develop housing on the identified City sites. Developers may apply to be pre-qualified for one or multiple categories of housing. Appointments to the list are anticipated for a three year term, with the option for two one-year extensions. In order to ensure that the City always has access to the most innovative and efficient housing developers, the CAO may release subsequent RFQs to augment the list of prequalified firms or expand the scope of services. Any such proposed additions to the list of prequalified firms would be submitted for Council approval.

Housing Categories

The City seeks to provide the following categories of affordable housing:

- Permanent Supportive Housing
- Affordable Multi-Family Housing
- Mixed-Income Housing
- Affordable Homeownership
- Micro Housing

Respondents to the RFQ will provide evidence of their experience and track record for successful development of that category of affordable housing. The successful developers will have the ability to engage community stakeholders, design excellent housing, and develop financing plans that leverage outside resources effectively. Respondents will also use identified sites to prepare a "Development Strategy" for each housing category for which they are requesting approval. A panel of City staff will review and select the respondents for each pre-qualified list.

Timeline for RFQ Review, Release and Response

In June 2016, CAO will request approval from Council of the PREP, the disposition strategy on the first set of properties, the release of the RFQ as well as for authority to execute the resulting agreements. It is anticipated that the necessary information required for the property profiles will be completed and included in the RFQ, and that that solicitation document could be released by early to mid-July 2016. Responses would be due approximately 45 days after. Below is a tentative timeline for review, release and response to the RFQ. The timeline is accelerated in order to meet the goal of executing the resulting development agreements with an equivalent value of \$47 million in housing or housing funding in advance of June 30, 2017.

Affordable Housing Opportunities Site RFQ Timeline for Review, Release and Responses	
Date*	Event
June 2, 2016	Special MFC Meeting
June 6, 2016	Homelessness and Poverty Committee
June 15, 2016	Housing Committee
TBD	Entertainment and Facilities Committee
July 1, 2016	City Council Approval
June 30, 2016	Receipt of Appraisals, Zoning Info and Title Reports
July 11, 2016	RFQ Release
July 25, 2016	Mandatory Bidders Conference
August 25, 2016	RFQ Submission Deadline

*All dates are tentative and dependent on review, approval and release of the RFQ

DISPOSITION OF THE EIGHT FY 2016-17 SITES

For each site on the current list, the City will select developers from the appropriate pre-qualified list for a Request For Bid (RFB) process to determine the developer of the site, or the City may directly enter into an Exclusive Negotiating Agreement (ENA) with one developer for a site.

If the CAO recommends and the City Council approves the disposition of a specific site through an RFB, the CAO will work with the EWDD to prepare a procurement request with scope of work and bid requirements and solicit proposals from the pre-qualified developers list. When the submissions are received, developers who are most responsible and responsive, and provide the most value to the City will be selected to enter into an ENA.

If the CAO recommends and the City Council approves the disposition of the site by going directly to an ENA based on the Development Strategy presented in the RFQ, the CAO will work with EWDD to negotiate and execute an ENA.

FISCAL IMPACT STATEMENT

There is no immediate impact to the General Fund for approval of the request to release the RFQ. However, there may be workload impacts if this program is implemented on a long-term basis that could require additional staffing and funding for consultant services. The approximate cost of this impact is unknown at this time but will be monitored and reported through the Municipal Facilities Committee.

MAS:YC/JVW/jr/blm/ah/smr

Attachment A – Property Review and Evaluation Process

Doc Id: 15160020



Overview: CAO Property Review and Evaluation Process

The Office of the CAO has developed a five stage process to identify, review, and capitalize on opportunities presented by City-owned properties for affordable housing

1	2	3	4	5
Identification and Initial Review	Due Diligence	Disposition Plan	Oversight & Council Approval	Disposition Action
7 – 10 Days	30 - 45 Days	30 Days	45 Days	70 – 120 Days

- CAO works with City Departments and Council offices to identify potential opportunity sites
- Identified sites are then subjected to an initial review by CAO staff
- Potentially feasible sites are then advanced for further review
- Title reports and Class A appraisals are ordered
- City Planning Department reviews site and provides feedback on probable zoning designation
- BOE reviews site and provides required recommendations
- CAO staff review department feedback, title reports, and appraisals
- CAO staff prepare detailed analysis of site and recommend disposition strategy
- CAO presents report to relevant oversight committees and Council
- Council considers report and approves or declines to approve recommended disposition strategy
- Upon Council approval, CAO staff prepare RFP or work with GSD to initiate surplus property procedure
- If RFP, City Attorney reviews and approves prior to release
- CAO oversees disposition process and reports back to Council