

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

---

---

Date: June 16, 2022

CAO File No. 0220-00540-1613

Council File No. 16-0714

Council Districts: Citywide

To: The Mayor  
The Council

From: *for* Matthew W. Szabo, City Administrative Officer 

Reference: Los Angeles Housing Department transmittal dated May 6, 2022; Received by the City Administrative Officer on May 17, 2022; Additional Information Received through June 16, 2022

Subject: **REQUEST FOR AUTHORITY TO CONVERT ELIGIBLE FORMER CRA/LA AND LAHD LOANS INTO SERVICE PAYBACK LOANS AND TO REQUIRE YEARS OF SERVICE CREDITS TO BE VERIFIED AND COMPLETED IN FULL**

---

---

**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor, authorize the General Manager of the Los Angeles Housing Department (LAHD), or designee, to:

1. Negotiate and execute amendments, and take necessary actions to convert the loans listed in Tables 1 and 2 of the LAHD transmittal, dated May 6, 2022, into Service Payback Loans, in accordance with the Conversion of Former CRA/LA and HCIDLA Loans into Service Payback Loans policy, subject to the review of the City Attorney as to form and legality; and,
2. Negotiate and execute amendments and take necessary actions to extend the loan term for the three projects listed below for new loan maturity dates of 2024, subject to the review of the City Attorney as to form and legality:

Borrower Name	Project Name	Loan Extension Term	Revised Loan Maturity Date
Beacon Housing, Inc.	Casa de Alegria	Seven Years	11/12/2024
Mary Lind Foundation	360 Westlake	Seven Years	6/10/2024
People Assisting the Homeless	PATH Service Center	Two Years	9/10/2024

**SUMMARY**

The Los Angeles Housing Department (LAHD) requests authority to convert the loans for one former Community Redevelopment Agency of Los Angeles (CRA/LA) project and seven LAHD

projects from residual receipts loans, deferred loans, term loans, and/or renewable loans into Service Payback Loans, in accordance with the Conversion of Former CRA/LA and HCIDLA Loans into Service Payback Loans policy (Policy) approved by the Council and Mayor in October 2019 (C.F. 16-0714). A Service Payback Loan is financial assistance that is repaid with the performance of specific services and obligations in lieu of monetary payments. Additional information regarding the Policy and Service Payback Loan conversion eligibility requirements can be found in the LAHD transmittal dated May 6, 2022 (Report). The LAHD also requests authority to extend the maturity date of two projects with matured loans in order to remove the technical defaults, and allow LAHD the time to verify service credits and complete the loan conversions. Subsequent to the release of its Report, the LAHD requested authority to extend the maturity date of one additional project, PATH Service Center, since the project's loan maturity date will occur in the next quarter of this calendar year. The LAHD also confirmed that it is requesting authority to extend the maturity date of the three loans to 2024.

The LAHD has identified nine loans issued to eight nonprofit organizations that provide social services to the community, including transitional housing, domestic violence shelter, and rehabilitation housing operations, which qualify for loan conversion under the approved Policy. The current loans are structured so that loan repayments would be made based on the amount by which project rental income exceeds operating expenses. The LAHD confirmed that that the projects are not anticipated to be able to make loan repayments since none of the projects are income-generating in nature. If the loan conversions are approved, the LAHD proposes to award service payback credits only for the years that services were provided at the projects to ensure the continued provision of services to the community for the full term of the project's loan agreement. Additional details regarding the nonprofit organizations, projects, and the services provided can be found in the LAHD Report. The LAHD indicates that converting the loans into Service Payback Loans will allow the nonprofit organizations to remove the outstanding loan obligations from their balance sheets, which may improve their financial standing and enable them to obtain additional financing to fund operations. This Office concurs with the recommendations of the Department, as amended, to: 1) require that the proposed loan conversions, loan extensions, and the execution of necessary documents be subject to the review of the City Attorney as to form and legality; 2) add the PATH Service Center project loan to the list of projects in Recommendation 2 of this report; and, 3) include the proposed maturity dates of 2024 for the three projects in Recommendation 2 of this report.

## **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. The loans that are proposed for Service Payback Loan conversion were funded by one of the following funding sources: former Community Redevelopment Agency of Los Angeles (CRA/LA) funding, the HOME Investment Partnerships Program Fund, or the Community Development Block Grant.

## **FINANCIAL POLICIES STATEMENT**

The recommendations in this report comply with the City's Financial Policies.