

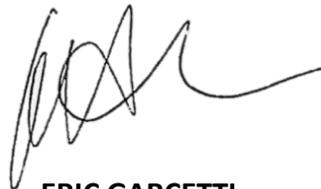
TRANSMITTAL

To: **THE COUNCIL**

Date: **05/10/22**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(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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May 6, 2022

Council File: 16-0714
Council Districts: Citywide
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Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY TO CONVERT ELIGIBLE CRA/LAHD LOANS INTO SERVICE PAYBACK LOANS AND TO REQUIRE YEARS OF SERVICE CREDITS TO BE VERIFIED AND COMPLETED IN FULL

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 convert loans from LAHD and the former Community Redevelopment Agency of Los Angeles (CRA/LA) into service payback loans for eight (8) projects that qualify for conversion and whereby the number of years of service credits can be ascertained in accordance with the amended Policy on Conversion of Former CRA/LA Loans into Service Payback Loans.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of LAHD, or designee, to make determinations and convert the qualified loans from one (1) former CRA/LA project and seven (7) LAHD projects into Service Payback Loans in accordance with the amended policy. LAHD is requesting conversion authority for the CRA/LA and LAHD loans detailed in Tables 1 and 2 (see "Background" section); and,

- B. AUTHORIZE the General Manager of LAHD, or designee, to extend the maturity dates of the matured loans of the Casa de Alegria and 360 Westlake projects in order to remove the technical defaults and allow time to complete the conversion and to verify and apply service credits where applicable.

BACKGROUND

On August 17, 2016, the City Council approved the “Policy on Conversion of Former CRA/LA Loans into Service Payback Loans” (“Policy”, C.F. No. 16-0714). A Service Payback Loan is defined as financial assistance that is repaid with the performance of specific services and obligations, in-lieu of monetary payments. To qualify for said conversion, a project must be determined by LAHD to be a Service Provider, which is detailed as a nonprofit organization whose primary mission is to provide direct social services, including, but not limited to, domestic violence shelters, transitional housing, substance abuse rehabilitation, and mental health services. In addition, the due diligence by LAHD verifies that the Service Provider has continually provided direct services since the inception of the original loan in accordance with the loan agreement and validates that the facility has not generated rental income in excess of operating expenses (inclusive of onsite service costs) for the term of the loan, both of which are criteria to qualify for conversion to a Service Payback Loan.

On November 6, 2019, the Policy was amended to allow LAHD to verify the number of years a facility is eligible for Service Payback credit and then to credit and reduce the amount of indebtedness for the project (principal plus accrued interest calculated up to the “loan conversion date”) per the years eligible for Service Payback credit, and then to finally reconvey the Deed of Trust when the loan (principal plus accrued interest calculated up to the “loan conversion date”) is fully paid off via Service Payback credits. This previously approved amendment allowed service credits earned by a facility to be more aligned with the exact number of years of direct services provided. Upon receiving approval from City Council to convert qualified loans, LAHD engages in the analysis of rent rolls, facility documents, agency agreements, and more to make determinations on the number of years that a facility is allocated Service Payback credits.

LAHD has identified loans that qualify for Service Payback Conversion, which are currently structured as, but not limited to, residual receipts, deferred loans, term loans, and renewable loans that were made to borrowers that are nonprofit, social services providers; and fund projects that, by nature of their use, are not income-generating. These projects have not generated cash flow in excess of operating expenses since they began operations and they are not expected to generate cash flow in the future. As such, the loan obligations remain on the balance sheets of the borrower, which negatively affects their ability to obtain additional financing to fund operations or engage in long-term investment and planning. Converting these loans, both former CRA/LA and LAHD loans, would assist nonprofit service providers in fulfilling their mission by enabling them to improve their financial standing, obtain additional funding, and enhance operational services.

TABLE 1: FORMER CRA/LA PROJECT

PROJECT NAME	LOAN NO.	LOAN BALANCE	ACCRUED INTEREST	TOTAL BALANCE	LOAN MATURITY	BORROWER
PATH Service Center	CRA875761-001	\$845,425.73	\$194,484.66	\$1,039,910.39	9/10/2022	People Assisting the Homeless

TABLE 2: LAHD PROJECTS						
PROJECT NAME	LOAN NO.	LOAN BALANCE	ACCRUED INTEREST	TOTAL BALANCE	LOAN MATURITY	BORROWER
Haven Hills	951668-004	\$2,349,114.91	\$0.00	\$2,349,114.91	5/11/2049	Haven Hills, Inc.
Casa de Alegria	EA99034 EA98009	\$100,000.00 \$447,500.00	\$0.00 \$0.00	\$100,000.00 \$447,500.00	Deferred 11/12/2017	Beacon Housing, Inc.
360 Westlake	CWM9902	\$1,129,208.00	\$0.00	\$1,129,208.00	6/10/2017	Mary Lind Foundation
Columbus Transitional Hsg & Penny Lane	010139-002	\$529,105.00	\$0.00	\$529,105.00	12/31/2042	Abbey Road, Inc.
Penny Lane - 15256 Acre Street	950726-003	\$509,547.04	\$256,362.35	\$765,909.39	8/25/2048	Abbey Road, Inc.
Penny Lane - 15258 Gresham St.	961070-002	\$273,793.15	\$0.00	\$273,793.15	5/15/2027	Abbey Road, Inc.
Penny Lane - Rayen	960541-003	\$288,201.89	\$250,347.11	\$538,549.00	10/1/2036	Abbey Road, Inc.
	TOTAL:	\$6,471,895.72	\$701,194.12	\$7,173,089.84		

For example, the domestic violence shelter operated by Haven Hills, Inc. is a nonprofit organization that provides emergency and transitional housing and supportive services to individuals and families experiencing domestic violence. The shelter and supportive service programs run by Haven Hills rely on City, County, and State funding for certain components. While the bulk of funding to provide the housing and onsite services come from government grants. Residents are not charged for rent nor services. The project has not and is not expected to generate any positive project income.

Another example is the rehabilitation housing, 360 Westlake, operated by the Mary Lind Foundation, which provides substance abuse recovery to homeless and at-risk homeless men and women. The project receives almost 100% of its funding from the U.S. Department of Health and Human Services block grants for Prevention and Treatment of Substance Abuse. These funds also cover the salary of staff and the costs of the direct services. The project has not and is not expected to generate any positive project income.

Other examples include, but are not limited to, six (6) projects that are classified as transitional housing. These projects provide the basic needs of shelter and safety, and many include mental health counseling, educational services, and/or medical services. Project operations are funded solely from grants, donations, and organizational fundraising.

Two of the projects, Casa de Alegria and 360 Westlake, are in technical default as the loans have matured. These projects submitted requests for conversion once they learned that the projects may qualify for Service Payback Loan Conversion.

Non-Profit Projects Recommended for Service Payback Loan Conversion

Table 3, below, provides a summary of the projects that LAHD is recommending for conversion (from Table 1 & Table 2) into Service Payback Loans and outlines the services they provide:

TABLE 3: NONPROFIT PROJECTS RECOMMENDED FOR SERVICE PAYBACK LOAN CONVERSION		
Project Name	Project Type	Service Description
PATH Service Center	Transitional Housing	Provides interim housing, supportive services, and case management for homeless veterans.

Haven Hills	Domestic Violence Shelter	Provides housing, services, and case management for individuals and families fleeing domestic violence.
Casa de Alegria	Transitional Housing	Provides housing, services, and case management for low-income single moms and children who are survivors of domestic violence.
360 Westlake	Rehabilitation Housing	Provides housing, services, and case management for homeless and at-risk homeless men and women recovering from substance abuse.
Columbus Transitional Hsg & Penny Lane	Transitional Housing	Provides housing, services, case management, and life skills training to mentally ill homeless residents.
Penny Lane - 15256 Acre Street	Transitional Housing	Provides housing, services, case management, and life skills training to mentally ill homeless residents (TAY & Non-Minor Dependents).
Penny Lane - 15258 Gresham St.	Transitional Housing	Provides housing, services, case management, and life skills training to mentally ill homeless residents (TAY & Non-Minor Dependents).
Penny Lane - Rayen	Transitional Housing	Provides housing, services, case management, and life skills training to mentally ill homeless residents (TAY).

Service Payback projects pay their debt by providing services for an equal amount of years as the number of years of the original term of loan. By awarding service payback credits only for the years in which services were/are provided at the project, the City will ensure that direct services (including but not limited to, domestic violence shelters, transitional housing, substance abuse rehabilitation, and mental health services) are afforded for the total number of years originally agreed upon (ie. term of the original loan agreement), prior to the Deed of Trust being reconveyed.

LAHD believes that by assisting our borrowers in providing services that help prevent homelessness, the City’s overall efforts to urgently address the homelessness crisis in Los Angeles will be furthered, as evidenced by the eight (8) mission-driven nonprofit projects presented here that provide social services to the community.

FISCAL IMPACT

There is no impact to the General Fund.

Approved By:



ANN SEWILL
 General Manager
 Los Angeles Housing Department