

## **TRANSMITTAL**

To: Date: 11/01/2018

**THE COUNCIL**

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



A handwritten signature in blue ink, appearing to read "Eric Garcetti".

(Ana Guerrero) for

**ERIC GARCEITI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

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October 25, 2018

Council File: 16-0799  
Council District: 1  
Contact:  
Laura Guglielmo (213) 808-8405

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
200 North Main Street, Room 303  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO PROVIDE ADDITIONAL FUNDING TOTALING \$535,608 FOR CRESCENT VILLAGES APARTMENTS TO BRING THE AFFORDABLE HOUSING DEVELOPMENT INTO FULL COMPLIANCE WITH THE STATE AND FEDERAL ACCESSIBILITY REQUIREMENTS AND EXECUTE NECESSARY LOAN DOCUMENTS AND AMENDMENTS**

## SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to provide additional funding totaling \$535,608 for Crescent Villages Apartments to bring the affordable housing development into compliance with federal Fair Housing Act (FHA) and California Building Code Section 11B requirements. HCIDLA administers the Accessible Housing Program (AcHP), which is responsible for ensuring compliance with federal and state accessibility requirements in multi-family affordable housing developed with City assistance. Prior to the implementation of this program, but before construction began, the City issued tax exempt conduit bonds for the substantial rehabilitation of the Crescent Villages Apartments, a multi-family affordable housing development located in two buildings on two lots: 1721 W. 8<sup>th</sup> Street and 1315 W. 7<sup>th</sup> Street. The project has a total of 144 units consisting of 46 one-bedroom units for seniors, 96 two, three and four-bedroom units for families, and two unrestricted Manager's units. In 2016, Valued Housing II, LLC (Developer), sought and received bond financing for the acquisition and rehabilitation of the project. This deal closed shortly before the City entered into a Corrected Settlement Agreement with Independent Living Centers of Southern California, et. al, that led to the creation of the City's AcHP. Although the Developer, and Crescent Villages II LP (Owner), have agreed to all of the City's policies, the project's original budget did not consider the requirement to bring the properties into compliance with the federal and state accessibility requirement to make all non-accessible units adaptable. In addition to incurring additional construction costs, the Borrower, Crescent Villages II LP, has experienced significant construction delays and requests financial assistance to bring the development into compliance.

## RECOMMENDATIONS

The General Manager of the Housing + Community Investment Department (HCIDLA) respectfully requests that the Mayor and City Council:

- I. TRANSFER \$535,608 from the Unappropriated Balance, Accessible Housing Program Retrofit Contracts, Fund 100/58 Account 580238, to the HCIDLA Fund 100/43, Contractual Services Account No. 3040;
- II. AUTHORIZE the General Manager of HCIDLA, or designee, to issue a letter of financial commitment not to exceed \$535,608 using funds from the General Fund, Contractual Services Account (100/43/3040);
- III. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute loan documents and amendments to the loan with Crescent Villages II LP, including: interest rate, loan and affordability terms, loan amount, subordination to new permanent loans; subject to the approval of the City Attorney as to form; and
- IV. AUTHORIZE the Controller, upon proper written demand of the General Manager of HCIDLA, to expend funds not to exceed \$535,608 from Fund 100/43, Contractual Services Account 3040, for hard construction costs required to bring Crescent Villages Apartments, located at 1721 W. 8<sup>th</sup> Street and 1315 W. 7<sup>th</sup> Street, into compliance with federal and state accessibility requirements.

## BACKGROUND

In September 2016, the City entered a Corrected Settlement Agreement (CSA) with Independent Living Centers of Southern California et. al. requiring, among other things, that the City retrofit, or cause to be built new, 4,000 units of accessible affordable housing over ten years. The City agreed to require all newly constructed or substantially rehabilitated multi-family affordable housing developments to include ten percent of its units to be accessible to persons with mobility disabilities and four percent of its units to be accessible to persons with hearing or vision disabilities, and that the entire development, including common areas and amenities, be accessible and comply with the Fair Housing Act (FHA). Before this CSA agreement was finalized, the City had committed funding to retrofit three properties whose funding agreements did not address the need to retrofit the properties to FHA standard: West A Homes, Crescent Villages and Florence Morehouse. HCIDLA has been in frequent communication with the developers of these properties to identify funding needs, if any, to allow the property and the City to comply with the terms of the CSA. HCIDLA had previously submitted a request on September 27, 2018, to assist West A Homes in addressing these needs. (C. F. 16-0230-S1).

This transmittal addresses the additional funding required to bring the second of these developments, Crescent Villages Apartments, located at 1721 W. 8<sup>th</sup> Street and 1315 W. 7<sup>th</sup> Street, into compliance with the FHA. The Developer and Owner of this property have agreed to ensure that ten percent of the units within the development are designed for mobility accessibility (15 units) and four percent of the units for hearing and vision accessibility (six units), and to comply with all of the policies required by the City. However, their original project design did not contemplate the requirement to bring the development into compliance with the FHA (and California Building Code Section 11B). This change requires the Developer to address accessibility requirements in common use areas and to make all standard units “adaptable.” The cost to address this difference cannot be absorbed within the original project budget.

The Developer submitted a funding request to HCIDLA for consideration. After careful review of all of the costs and comparing the elements to the original scope of work, HCIDLA staff recommends increasing the commitment for this project by \$535,608 to bring both properties into compliance. These costs include hard construction costs of \$510,608, and testing and plumbing engineering costs of \$25,000. The Developer had also requested reimbursement for additional soft costs, including an equity adjuster, which HCIDLA does not recommend. If the project is not brought up to the FHA standard, the City will not be able to count the 21 newly rehabilitated accessible units in this development toward its 4,000 unit goal, and would be required to make up those units in another project. For this reason, HCIDLA recommends utilizing funds designated for this purpose in the Unappropriated Balance, to bring this development into full compliance with the FHA. HCIDLA requests approval to send the Developer a letter of commitment, not to exceed \$535,608 for this purpose.

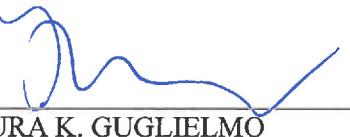
Funding totaling \$5.0 million has been earmarked in the Unappropriated Balance for the retrofit work of affordable housing units. Therefore, it is further recommended that \$535,608 be appropriated from the Unappropriated Balance and transferred Fund 100/43, Contractual Services Account No. 3040.

HCIDLA will submit a separate transmittal for your consideration should additional funds be required to ensure the accessibility of the Florence Morehouse development.

#### **FISCAL IMPACT STATEMENT**

The General Fund costs associated with this transmittal total \$535,608. Funds totaling \$5.0 million have been earmarked in the Unappropriated Balance for the retrofit of affordable housing units. HCIDLA recommends \$535,608 be transferred to Fund 100/43, Contractual Services Account 3040 for this purpose.

Prepared by:



LAURA K. GUGLIELMO  
Executive Officer

Approved by:



RUSHMORE D. CERVANTES  
General Manager