

**REPORT FROM**

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: April 1, 2021

CAO File No. 0220-00540-1454

Council File No. 20-0461

Council District: 1, 14

To: The Mayor  
The Council

From: *Yolanda Chavez*  
*for* Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department (HCID) transmittal dated March 16, 2020; Received by the City Administrative Officer on April 21, 2020; Additional Information Received through April 1, 2021

Subject: **REQUEST FOR AUTHORITY TO AMEND TWELVE LOAN AGREEMENTS WITH SINGLE ROOM OCCUPANCY HOUSING CORPORATION AND OTHER RELATED ACTIONS**

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**RECOMMENDATIONS**

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

1. Note and file the Housing and Community Investment Department (HCID) transmittal (Report) dated March 16, 2020 relative to amending twelve loan agreements with Single Room Occupancy Housing Corporation (SRO);
2. Authorize the General Manager of HCID, or designee, to:
  - a. Negotiate and execute amended loan agreements with SRO, subject to review and approval of the City Attorney as to form, to amend the loans as follows:
    - i. Extend the term of 14 agreements in accordance with Table 1 of this report;
    - ii. Modify loan definitions to include Supportive Services Amount and Supportive Services Reserve Fund for all projects listed on Table 3 of this report;
    - iii. Modify the Residual Receipts distribution as 50 percent to the Borrower and 50 percent pro-rata share among public lenders, for all projects listed in Table 3 of this report, with the exception of the Golden West Hotel, the Harold Hotel, the Regal Hotel, Renato Apartments, and the Rosslyn Hotel;
    - iv. Modify Replacement Reserve and Operating Reserve amounts to be consistent with current HCID Affordable Housing Managed Pipeline

Regulations for the Carlton Hotel and Russ Hotel;

- v. Modify Replacement Reserve, Operating Reserve, and Transition Reserve amounts and related party/third party fee to be consistent with current HCID Affordable Housing Managed Pipeline Regulations for the Renato Apartments;
  - vi. Exclude Commercial Revenue from the definition of “Revenue”, and exclude Commercial Expenses from the definition of “Operating Expenses” for the Rosslyn Hotel; and,
  - vii. Revise the number of units available for Courtland Hotel, Golden West Hotel, Harold Hotel, Leonide Hotel, Regal Hotel, Rosslyn Hotel, Russ Hotel, and Ward Hotel as illustrated in Table 4 of this report; and.
- b. Negotiate and execute amended affordability covenants to extend the terms of 13 covenants in accordance with Table 2 of this report.

## **SUMMARY**

The Housing and Community Investment Department (HCID) requests authority to amend the loan agreements of 12 former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) affordable housing developments owned and managed by Single Room Occupancy Housing Corporation (SRO). HCID inherited a total of 14 loans for the 12 sites as the successor agency of the CRA/LA and the Department states that the loans require amendments in order to preserve the properties and their long-term affordability. The proposed Amendments would: 1) extend the loan and covenant terms for the time periods indicated in Tables 1 and 2 of this report, and 2) align loan requirements for applicable projects in Table 3 of this report with current HCID Affordable Housing Managed Pipeline Regulations, which were approved by the Council in 2018 (C.F. 13-0303-S10). HCID’s original transmittal also requested authority to implement the Replacement Housing Plan submitted by SRO to replace 43 affordable housing units that were included in the existing loans of multiple properties listed in Table 4 of this report with 43 affordable housing units in the Ingraham Apartments. It should be noted that this report’s recommendations differ from the recommendations included in HCID’s transmittal dated March 16, 2020 (Report). Subsequent to the release of their Report, HCID clarified that: 1) there are two additional loans that require amendments, for a total of 14 loans, that include a CRA/LA term loan for Prentice Apartments and a City loan for Rosslyn Hotel; 2) the Supportive Services Amount and Supportive Services Reserve Fund definitions should be included in an amendment to the Russ Hotel agreement; 3) the correct number of existing restricted affordable housing units for the Leonide Apartments, Golden West Hotel, and Russ Hotel; 4) the HCID requests to extend the term of the existing loan with Ward Hotel by 30 years, not execute a new loan with a maturity date of July 15, 2047; and 5) attorneys for Plaintiffs for the Wiggins Settlement Agreement confirmed that the unit counts for the Wiggins Settlement projects can be updated; therefore, approval of a Replacement Housing Plan will not be needed. This Office concurs with the Department’s recommendations, as amended to reflect clarifications provided by HCID.

Loan and Covenant Term Extensions

The HCID requests loan term extensions of 30 or more years for a majority of the 14 loans for 12 SRO properties, as illustrated in Table 1 below. A description of each property is included in HCID's Report.

**Table 1: Proposed Term Extensions for Project Loan Agreements**

Property Name	Type of Loan	Address	Loan Maturity Date	Proposed Extension Term	New Loan Maturity Date
Angelus Inn	CRA/LA Residual	518 S. San Julian Street	11/18/2031	30 years	11/18/2061
Carlton Hotel	CRA/LA Residual	534 South Wall Street	10/1/2032	30 years	10/1/2062
Courtland Hotel	CRA/LA Residual	520 South Wall Street 4/14	4/14/2025	30 years	4/14/2055
Golden West Hotel	CRA/LA Residual	415 East 5th Street	12/3/2015	30 years	12/3/2045
Harold Hotel	CRA/LA Residual	323 East 5th Street	1/1/2050	NONE	NO CHANGES
Leonide Apartments	CRA/LA Residual	512 South Main Street	4/21/2022	30 years	4/21/2052
Prentice Apartments	CRA/LA Residual	1012 East 7th Street	11/17/2030	20 years	11/17/2050
Prentice Apartments	CRA Term	1012 East 7th Street	5/14/2020	30 years	5/14/2050
Regal Hotel	CRA/LA Residual	815 East 6th Street	6/26/2016	29 years	12/3/2045
Renato Apartments	CRA/LA Residual	531 S. San Julian Street	9/30/2065	NONE	NO CHANGES
Rosslyn Hotel	CRA/LA Residual	112 West 5th Street	1/22/2068	NONE	NO CHANGES
Rosslyn Hotel	HCID Residual	112 West 5th Street	11/29/2067	NONE	NO CHANGES
Russ Hotel	CRA/LA Residual	517-523 S. San Julian Street	12/27/2033	30 years	12/27/2063
Ward Hotel	CRA/LA Residual	512 South Wall Street	7/15/2017	30 years	7/15/2047

The Department also requests extensions of 30 or more years for a majority of the 13 covenants for 12 SRO properties. The HCID clarified that there are two covenants for Rosslyn Hotel associated with two separate residual receipts loans, which were both executed prior to HCID inheriting the property as the successor agency to the CRA/LA. The Department further clarified that there is no covenant associated with the CRA/LA term loan for Prentice Apartments. Table 2 below shows the proposed term extensions for the 13 SRO covenants.

**Table 2: Proposed Term Extensions for Project Covenants**

<b>Property Name</b>	<b>Type of Residual Loan</b>	<b>Address</b>	<b>Covenant Expiration Date</b>	<b>Proposed Extension Term</b>	<b>New Covenant Extension Date</b>
Angelus Inn	CRA/LA	518 S. San Julian Street	1/25/2035	26 years	11/18/2061
Carlton Hotel	CRA/LA	534 South Wall Street	10/1/2032	30 years	10/1/2062
Courtland Hotel	CRA/LA	520 South Wall Street 4/14	4/14/2035	20 years	4/14/2055
Golden West Hotel	CRA/LA	415 East 5th Street	12/3/2015	30 years	12/3/2045
Harold Hotel	CRA/LA	323 East 5th Street	12/3/2015	35 years	1/1/2050
Leonide Apartments	CRA/LA	512 South Main Street	5/29/2022	30 years	4/21/2052
Prentice Apartments	CRA/LA	1012 East 7th Street	6/30/2020	30 years	11/17/2050
Regal Hotel	CRA/LA	815 East 6th Street	6/2/2016	29 years	12/3/2045
Renato Apartments	CRA/LA	531 S. San Julian Street	11/10/2063	NONE	NO CHANGES
Rosslyn Hotel	CRA/LA	112 West 5th Street	5/25/2067	NONE	NO CHANGES
Rosslyn Hotel	HCID	112 West 5th Street	11/29/2067	NONE	NO CHANGES
Russ Hotel	CRA/LA	517-523 S. San Julian Street	9/1/2029	34 years	12/27/2063
Ward Hotel	CRA/LA	512 South Wall Street	7/15/2017	30 years	7/15/2047

The HCID notes that if projects obtain leveraged financing that requires an earlier loan and/or covenant maturity date, then HCID will extend the loan and/or covenant for the lesser period, with the intention that the terms will be extended for a longer period after the leveraged financing is in place.

Loan Requirement Modifications

The HCID is requesting various loan requirement modifications to align loans with current HCID Affordable Housing Managed Pipeline Regulations. The purpose of the modifications for applicable projects are to: 1) allow projects to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation; 2) modify project’s Residual Receipts distribution split as 50 percent to the Borrower and 50 percent pro-rata share among public lenders; 3) modify annual Reserves deposit requirements to \$300 per unit for Replacement Reserves, \$200 per unit for Operating Reserves, and \$200 per unit for Transition Reserves; 4) increase allowable related party/third party fees to \$15,000 annually; and 5) exclude commercial revenue and expenses from the calculation of residual receipts. Table 3 below identifies the various types of modifications and the applicable loans for the proposed modifications. The HCID notes that these modifications do not apply to the Prentice Apartments CRA/LA Term Loan because residual receipts are not required under that loan.

**Table 3: Residual Receipts Loan Modifications**

<b>Property Name</b>	<b>Type of Residual Loan</b>	<b>Supportive Services Definition</b>	<b>Residual Receipts Distribution</b>	<b>Replacement and Operating Reserves</b>	<b>Transition Reserve &amp; Related Third Party Fee</b>	<b>Exclude Commercial Revenue</b>
Angelus Inn	CRA/LA	X	X			
Carlton Hotel	CRA/LA	X	X	X		
Courtland Hotel	CRA/LA	X	X			
Golden West Hotel	CRA/LA	X				
Harold Hotel	CRA/LA	X				
Leonide Apartments	CRA/LA	X	X			
Prentice Apartments	CRA/LA	X	X			
Regal Hotel	CRA/LA	X				
Renato Apartments	CRA/LA	X		X	X	
Rosslyn Hotel	CRA/LA	X				X
Rosslyn Hotel	HCID	X				X
Russ Hotel	CRA/LA	X	X	X		
Ward Hotel	CRA/LA	X	X			

Wiggins Settlement Agreement Sites

The Wiggins Settlement Agreement is the result of legal challenges to the City Council’s adoption of the Central Industrial and City Center Redevelopment Plans in 2002. A major goal of the Wiggins Settlement Agreement is to preserve existing affordable housing in Single Room Occupancy (SRO) Residential Hotels and ensure that any SRO proposal for conversion or demolition guarantees a one-for-one replacement of units, at the similar bedroom count and affordability levels. In its March 2020 Report, the HCID requested approval of a plan to replace 43 affordable housing units in the 12 SRO projects with units in the Ingraham Apartments project. After conferring with attorneys for the Plaintiffs in the Wiggins Settlement Agreement, the plaintiff’s counsel confirmed that HCID could update the unit counts for applicable SRO sites in the loan agreements, without having to replace them through the approval of a replacement plan since the units were converted to necessary services such as laundry rooms, supportive service offices, and manager units. The HCID notes that the reduction to affordable units are primarily to increase the number of manager units at sites to effectively assist tenants with quicker leasing turnover, maintaining the property in good condition, securing the premises, and continuing to manage the day-to-day responsibilities. In addition, the Russ Hotel converted 43 residential units to provide amenities to support the residents that include additional sanitary facilities, manager’s apartment, an assistant manager’s apartment, supportive service rooms for service coordinators, community lounge, meeting rooms, storage space, kitchen, bathroom, laundry room, and a dining room. Table 4 below summarizes the change in the number of restricted affordable housing units at the 12 SRO project sites.

**Table 4: Requested Changes to Number of Restrict Units in Loans**

<b>Property Name</b>	<b>Type of Residual Loan</b>	<b>Existing Restricted Units</b>	<b>Requested Restricted Units</b>	<b>Change in Restricted Units</b>
Angelus Inn	CRA/LA	31	31	-
Carlton Hotel	CRA/LA	45	45	-
Courtland Hotel	CRA/LA	97	95	2
Golden West Hotel	CRA/LA	59	58	1
Harold Hotel	CRA/LA	58	57	1
Leonide Apartments	CRA/LA	67	66	1
Prentice Apartments	CRA/LA	47	47	-
Regal Hotel	CRA/LA	70	69	1
Renato Apartments	CRA/LA	96	96	-
Rosslyn Hotel	CRA/LA	263	262	1
Rosslyn Hotel	HCID	263	262	1
Russ Hotel	CRA/LA	291	248	43
Ward Hotel	CRA/LA	72	71	1
<b>Total (Excl. HCID Rosslyn Hotel Loan)</b>		<b>1,196</b>	<b>1,145</b>	<b>51</b>

It should be noted that HCID updated the number of existing restricted units at the Leonide Apartments, Golden West Hotel, and Russ Hotel. Leonide Apartments has 67 restricted units, not 64, as noted in the Replacement Plan attached to their Report, while Golden West has 59 restricted units, not 62, as noted in HCID’s Report, and the Russ Hotel has 263 restricted units, not 264, as noted in the Replacement Plan attached to their Report.

Outstanding Loan Amounts

The HCID reports that the original loan amounts for all 14 SRO loans total \$35.7 million. All of the former CRA/LA loans have an interest rate of three percent while the HCID loan for Rosslyn Hotel has an interest rate of five percent. The Department reports that none of the loans have been repaid. Based on the outstanding principal balance and interest, the total outstanding balance for 14 SRO loans is \$57.1 million, as shown in Table 5 below.

**Table 5: Outstanding Loan Amounts for 14 SRO Loans**

Property Name	Type of Loan	Original Loan Amount	Interest Rate	Current Outstanding Balance Principal	Current Outstanding Interest	Total Balance Outstanding
Angelus Inn	CRA/LA Residual	\$1,463,950.00	3%	\$1,463,950.00	\$1,327,043.06	\$2,790,993.06
Carlton Hotel	CRA/LA Residual	907,407.98	3%	907,407.98	647,431.63	1,554,839.61
Courtland Hotel	CRA/LA Residual	2,493,009.10	3%	2,493,009.10	1,904,423.79	4,397,432.89
Golden West Hotel	CRA/LA Residual	1,695,316.66	3%	1,695,316.66	1,624,489.20	3,319,805.86
Harold Hotel	CRA/LA Residual	1,211,978.00	3%	1,211,978.00	1,200,060.79	2,412,038.79
Leonide Apartments	CRA/LA Residual	1,747,307.60	3%	1,747,307.60	1,493,531.85	3,240,839.45
Prentice Apartments	CRA/LA Residual	1,434,644.00	3%	1,422,569.39	1,074,575.92	2,497,145.31
Prentice Apartments	CRA/LA Term	744,788.00	3%	744,788.00	652,786.51	1,397,574.51
Regal Hotel	CRA/LA Residual	1,971,801.66	3%	1,971,801.66	1,642,712.81	3,614,514.47
Renato Apartments	CRA/LA Residual	2,136,573.49	3%	2,136,573.49	693,301.05	2,829,874.54
Rosslyn Hotel	CRA/LA Residual	5,347,671.00	3%	5,347,671.00	1,227,844.32	6,575,515.32
Rosslyn Hotel	HCID Residual	8,138,435.00	5%	8,138,435.00	3,267,827.41	11,406,262.41
Russ Hotel	CRA/LA Residual	5,318,759.47	3%	5,318,759.47	3,545,260.22	8,864,019.69
Ward Hotel	CRA/LA Residual	1,119,023.00	3%	1,119,023.00	1,043,853.36	2,162,876.36
	<b>Total</b>	<b>\$35,730,664.96</b>		<b>\$35,718,590.35</b>	<b>\$21,345,141.92</b>	<b>\$57,063,732.27</b>

**FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. There is no additional cost to the City to amend the terms of loans previously funded by the former Community Redevelopment Agency of the City of Los Angeles.

**FINANCIAL POLICIES STATEMENT**

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