

TRANSMITTAL

To: **THE COUNCIL**

Date: **05/20/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



May 19, 2021

Council File: 20-1270
Council District: 7
Contact Person & Phone Number:
Daysi Hernandez (213) 744-9340

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

TRANSMITTAL: APPROVAL OF SUCCESSOR RECIPIENT FOR 2005 US ECONOMIC DEVELOPMENT ADMINISTRATION SUB-AWARD (07-19-62011.33) AND CITY COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) SERVICE PAYBACK LOAN (C-109876), AND TRANSFER OF OWNERSHIP OF PROPERTY LOCATED AT 13168 AND 13172 VAN NUYS BLVD., PACOIMA

The General Manager of the Economic and Workforce Development Department (EWDD), respectfully requests that your office review and approve this transmittal and forward to the City Council for further consideration.

SUMMARY

In 2005, the Valley Economic Development Corporation (VEDC), acquired the subject property located at 13168 and 13172 Van Nuys Boulevard, in Pacoima, using a City of Los Angeles sub-award grant from the U.S. Economic Development Administration (EDA) totaling \$953,382 and a City Community Development Block Grant (CDBG) service payback loan of \$816,768, for a total project cost of \$1,770,150, in order to provide community-based financial services to the Pacoima area .

The EDA sub-award was recorded on September 15, 2005 with a twenty-year term that terminates on September 15, 2025. The CDBG assistance was provided under separate terms of the EDA sub-award. It requires that services be provided through June 2027. VEDC filed for bankruptcy in 2019 and is currently working with the EDA for the potential disposition of the subject property.

The EDA is seeking to transfer the property and sub-award responsibilities to another eligible recipient who can continue to carry out the original intent of the grant through the

20-year useful life of the property, expiring in September 2025. To that end, EDA identified three potential new recipients: 1-Economic Resources Corporation (ERC); 2-Gain Federal Credit Union (GAIN); and 3-Initiating Change in Our Neighborhoods (ICON).

EWDD concurs with EDA's recourse of transferring sub-award responsibilities and property to a new recipient to continue the provision of community financial services to Pacoima and surrounding neighborhoods. EWDD staff has reviewed the proposals submitted by the three potential successor entities, and through this report is recommending the selection of ICON as the successor sub-award recipient. The transfer is subject to bankruptcy court approval.

If approved, ICON would be required to also assume the responsibilities under the CDBG loan agreement. In efforts to preserve this community asset and the services it provides to the Pacoima neighborhood, EWDD is recommending the extension of the responsibilities under the CDBG loan agreement to require ICON to continue the provision of community-based financial services for an additional ten (10) years from the date of termination of the EDA sub-award, extending the term of the CDBG service payback loan to September 30, 2035.

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. APPROVE the transfer of EDA sub-award 07-19-62011.33 responsibilities to Initiating Change in Our Neighborhoods (ICON) to continue to carry out the original intent of the EDA grant to provide community-based financial services; and APPROVE the transfer of ownership of property located at 13168 and 13172 Van Nuys Boulevard to ICON;
2. APPROVE the assignment of the City's Community Development Block Grant service payback loan agreement to ICON, with an extended covenant period to provide community financial services through September 30, 2035; and
3. AUTHORIZE the General Manager of EWDD to work with EDA and bankruptcy court to prepare and execute all documents necessary to carry out the transfer of the EDA sub-award responsibilities, property transfer, and the assignment of the CDBG loan agreement to the successor recipient.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund.

DISCUSSION

In 2005 the City assisted VEDC in the acquisition and rehabilitation of property located at 13168 and 13172 Van Nuys Boulevard, in Pacoima, to house a credit union that would provide much needed financial services in the area. The funding for this project was

provided through an EDA sub-award in the amount of nine hundred fifty-three thousand three hundred eighty-two dollars \$953,382 and a CDBG loan of eight hundred sixteen thousand seven hundred sixty-eight dollars \$816,768 issued by the City. The EDA sub-award was recorded on September 15, 2005, with a useful life of twenty (20) years. EDA's interest is set to expire in September 2025. The CDBG service payback loan was issued under separate terms from the EDA grant, and has a term that expires in June 2027. VEDC filed for bankruptcy in 2019 and has been working with the EDA for the potential disposition of the subject property, which is currently occupied by Gain Federal Credit Union.

EDA is seeking to transfer the property and sub-award responsibilities to another eligible recipient who can continue to carry out the original intent of the grant for the remaining term of the EDA sub-award subject to bankruptcy court approval. To that end, EDA identified three potential new recipients: 1-Economic Resources Corporation (ERC) 2-Gain Federal Credit Union (GAIN) and 3-Initiating Change in Our Neighborhoods (ICON).

The EDA submitted proposals from the three potential new recipients for the City's consideration. EWDD staff reviewed the three proposals, and based on a review of the three organization's experience and capacity to manage the project, is recommending that ICON to be selected as the new recipient for the EDA Sub-award and ownership of the subject property. EWDD is also recommending that ICON assume responsibilities under the CDBG service payback loan.

Table 1 contains a summary of the proposals.

Table 1

Organization	Comments
ERC	ERC was founded in 1968 and has extensive experience in economic development, real estate development, and property management. They have a good working relationship with the EDA and seems like a strong candidate to assume sub-award responsibilities. However, their proposal was incomplete, lacking a plan for the use of the building.
GAIN	Gain is the current tenant at the subject property and is primarily a provider of financial services to retail customers, mostly personal accounts. The proposal did not contain sufficient information to confirm their experience in property management or economic development activities.
ICON	ICON has a demonstrated record and experience in serving small business owners and entrepreneurs in the San Fernando Valley since 2002. It has a long-standing relationship with the U.S. Small Business Administration (SBA) and houses an SBA satellite location at the ICON South Valley office, which expands their access to SBA resources. They have proposed to keep Gain Federal Credit Union as a tenant and support their continued operation and expansion. They also plan to use the property to establish a virtual business accelerator and resource center, and to support DIY, a woman-focused STEM education program serving low-income youth in Pacoima.

EWDD staff reviewed the proposals submitted by the three potential successor entities, and through this report is recommending the selection of ICON as the successor sub-

award recipient to assume the responsibilities under the EDA grant and obtain ownership of the subject property. The transfer of property ownership is subject to bankruptcy court approval.

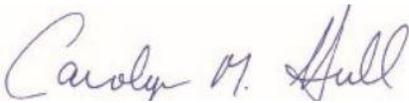
ICON, as new owner of the subject property, will also be required to assume the responsibilities under the CDBG loan agreement for the service-payback loan issued by the City in June 2006, with a term expiring on June 12, 2027. The current CDBG loan balance is \$376,768.

In efforts to preserve this community asset and the services it provides to the Pacoima neighborhood, EWDD is recommending the extension of the performance period under the CDBG loan agreement that will require ICON to continue the provision of services for an additional ten (10) years from the date the EDA sub-award expires, with a new maturity date of September 30, 2035. The covenant agreement, running with the land, would be released upon satisfactory completion of the extended term.

CONCLUSION

EWDD concurs with EDA's recourse of transferring the 2005 sub-award responsibilities and property ownership to a new recipient. Based on the review of the proposals from EDA submitted by the three potential successor entities, EWDD recommends the selection of ICON as the successor sub-award recipient, subject to an extended performance period that would require ICON to continue providing much needed financial services in the Pacoima neighborhood for an additional ten (10) years from the date the EDA sub-award terminates. The transfer of property ownership is subject to bankruptcy court approval.

EWDD also recommends that ICON assume the responsibilities under the City-issued CDBG loan and extend the term under that loan agreement to continue the provision of services through September 30, 2035.



CAROLYN M. HULL
General Manager

CH:FJ:dh