

HOUSING COMMITTEE REPORT relative to authority to revise ground lease terms for 12 affordable housing development on City-owned land.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. NOTE and FILE the Los Angeles Housing and Community Investment Department (HCIDLA) transmitted dated January 4, 2021 attached to the Council file, relative to the revision of ground lease terms for City-owned parcels being developed for affordable housing.
2. AUTHORIZE the General Manager, HCIDA, or designee, to:
  - a. Amend the ground lease terms for nine City-owned properties that have been leased for the development of affordable housing. The new ground lease terms reduce the annual base rent from \$10,000 per year to \$1 per year, eliminate residual receipts rent due to the City; and, change the length of the Initial Term of the ground lease to 55 years, to be consistent with State regulations.
  - b. Negotiate and execute ground leases with affordable housing developers for three City-owned properties with terms that differ from the previously approved key terms and conditions. Specifically, the new terms reduce the annual base rent from \$10,000 per year to \$1 per year, eliminate residual receipts rent due to the City, and change the length of the Initial Term of the ground lease to 55 years, to be consistent with State regulations.
  - c. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer (CAO).
3. AUTHORIZE the Controller to use funds from the Low and Moderate Income Housing Fund to refund a total of \$30,000 in collected base ground lease payments, or \$10,000 each for the following lessees: Metamorphosis on Foothill, L.P., Gramercy Place, L.P., and 11681 Foothill L.P. (Summit View Project).

Fiscal Impact Statement: The CAO reports that there will be no impact to the General Fund as a result of the proposed changes to the ground lease terms for eight of the projects. The Low and Moderate Income Housing Fund would be used to reimburse the three developers that have already paid an annual base rent.

The HCIDLA estimates that four of the subject projects would have sufficient cash flow to make a total of \$1.4 million in residual receipts payments to the General Fund from year 7 through year 15 after the projects are complete. For the Hollywood Art Collective project, \$47,137 would be due to Special Parking Revenue Fund for the loss of eight parking spots. The HCIDLA reports that because loans are typically refinanced after 15 years an annual amount for residual receipts beyond year 15 of the ground leases is not provided at this time. The Department indicates that eliminating residual receipts payments as a part of the ground lease, however, allows the projects to have additional cash flow to repay Proposition HHH, HOME Investment Partnerships Program

or other City loans provided toward the development of the project.

Financial Policies Statement: The CAO reports that the recommendations in this report comply with the City's Financial Policies.

Community Impact Statement: None submitted.

**SUMMARY:**

At a regular meeting held on February 10, 2021 the Housing Committee virtually considered CAO and HCIDLA reports relative to authority to revise ground lease terms for 12 affordable housing development on City-owned land. After providing an opportunity for public comment, the Committee approved the recommendations verbally read into the record during the meeting from the CAO report dated February 9, 2021, as detailed above. This matter is now transmitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
CEDILLO:	YES
RAMAN:	YES
HARRIS-DAWSON:	YES
KREKORIAN:	YES
LEE:	YES

KK 2/10/21

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**