

TRANSMITTAL

To: **THE COUNCIL**

Date: **10/21/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



ERIC GARCETTI
Mayor

(Ana Guerrero) for

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER



ERIC GARCETTI
MAYOR

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

June 1, 2020

Council File: 10-1068
Council District No: 8
Contact Person:
Samuel Hughes
Phone: (213) 744-9723

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

Attention: Heleen Ramirez, Legislative Coordinator

TRANSMITTAL: REQUEST AUTHORITY TO SELL TWO PROPERTIES ACQUIRED AS A RESULT OF FORECLOSURE ON A DEFAULTED COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN

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

RECOMMENDATIONS

The General Manager of EWDD, or designee, respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. DETERMINE that a sale of two City of Los Angeles (City) owned residential properties located at 5510 S. Manhattan Place, Los Angeles, CA 90062, Assessor Parcel Number (APN) 5005-031-900 (Manhattan Property) and 12243 Blakley Avenue, Los Angeles, CA 90059, APN 6148-021-270 (Blakley Property) (Properties) will assist in the economic development of the City and that the public interest is best served by the sale of the properties;
2. INSTRUCT the General Manager of EWDD, or designee to negotiate and execute all documents necessary for the sale of the Properties, subject to the approval of the City Attorney as to form and legality;

3. REQUEST the City Attorney to prepare and present a Grant Deed, Sale Ordinance and any related documents necessary to effectuate the City's sell of the individual Properties, through a Real Estate Broker(s) selected from a City preapproved list of vendors, under terms to be negotiated and for no less than a reasonable minimum amount as determined by an appraisal conducted by a state certified appraiser licensed to do so;
4. AUTHORIZE the General Manager of EWDD to proceed to effectuate all escrow and related actions to complete the transaction if all contingencies are met;
5. INSTRUCT EWDD with the assistance of the Chief Legislative Analyst (CLA), to prepare any additional documents necessary to effectuate the sale of the Properties;
6. AUTHORIZE EWDD to be the implementing department to determine and expend from the sales proceeds the amount necessary to pay for City's required closing costs, broker fees and other related costs upon issuance of the good faith estimate from an escrow company selected from a City preapproved list of vendors;
7. AUTHORIZE the General Manager of EWDD, or designee, upon receipt of net sales proceeds to deposit the respective portion of said proceeds into the City's General Fund and Community Development Block Grant Fund as stated below;
8. AUTHORIZE the General Manager of EWDD, or designee, to prepare Controller instructions and/or make technical corrections or adjustments that may be required and are consistent with these City Council and Mayoral actions, subject to the approval of the City Administrative Officer (CAO); and
9. REQUEST the Controller and/or other City departments to implement those instructions.

FISCAL IMPACT STATEMENT

The proposed transaction will have no negative fiscal impact to the General Fund. If requested authorization to sell the two Properties is granted and effectuated, it is estimated that \$90,000 of the sale proceeds will be deposited into the General Fund.

BACKGROUND

In April 19, 1994, the Community Development Department (CDD) made a business loan of \$450,000 using CDBG funds to Tri-Afram Enterprises, Inc. (Tri-Afram) (CF 94-0561). The loan was secured by three single family dwellings as follows:

- 12243 Blakley Avenue, Los Angeles, California (Blakley Property)
- 5510 S. Manhattan Place, Los Angeles, California (Manhattan Property)
- 1119-1121 Crescent Heights Boulevard (Crescent Heights Property)

Tri-Afram immediately defaulted on the loan. Following prolonged and exhaustive efforts to resolve the default with Tri-Afram, CDD received a partial repayment of the principle

balance in the amount of \$348,263.08 in December, 2009. The partial payment was from the net proceeds of Tri-Afram's voluntary sale of the Crescent Heights Property.

Subsequently, on January 21, 2010, a trustee sale was conducted for the Blakley and Manhattan Properties; however, no bids were received. As a result, the ownership of the Blakley and Manhattan Properties were transferred to the City.

In October 2010, the CDD, now integrated into EWDD, requested the authority to sell the two remaining Properties and pay a superior mortgage lien, in the amount of \$49,118 held by Bank of America which was in the process of foreclosing on the Manhattan Property. The City Council approved the payment of the remaining mortgage, and requested that CDD work with the Los Angeles Housing Department (LAHD), now the Housing and Community Investment Department (HCID), as well as with the General Services Department (GSD) to determine the appropriate methodology for disposing of the properties (C.F. 10-1068 and C.F. 10-1068-S1).

At the time of the recommendation, CDD did not have the staff, financial resources, or existing contractors to dispose of the Properties. GSD has provided guidance and assistance to EWDD in gathering the information required to effectuate the sale of the Properties. However, with LAHD/HCID and GSD having limited financial resources available for the project, GSD recommended for purposes of efficiency, that EWDD request appropriate Council authorities to move forward with the sale of the Properties, independently of LAHD/HCID and GSD. EWDD, as the successor to CDD, now has access to pre-approved lists of support resources capable of disposing of the Properties; therefore EWDD seeks approval to move forward to dispose of the Properties and recover the outstanding loan balance.

Currently, neither property is owner occupied, the Manhattan Property is vacant, and the Blakley Property has unauthorized occupants residing in the property. In the past the City has been cited for failing to maintain the properties, and continues to receive complaints from the neighbors about the condition of the Properties and trespassing by unauthorized individuals.

SUMMARY

EWDD is requesting the required authorities to take necessary actions to sell the two foreclosed Properties in order to recover the outstanding balance of a defaulted loan, repay Community Development Block Grant (CDBG) funds and recover General Fund monies expended to retain, manage and maintain the properties. The two City of Los Angeles (City) owned residential properties are located at 5510 S. Manhattan Place, Los Angeles, CA 90062, Assessor Parcel Number (APN) 5005-031-900 (Manhattan Property) and 12243 Blakley Avenue, Los Angeles, CA 90059, APN 6148-021-270 (Blakley Property, and collectively called Properties). Both Properties suffer from extensive deferred maintenance and the immediate sale of the Properties will protect the public and the properties from continued deterioration as well as prevent future break-ins, trespassing and vandalism.

EWDD proposes to sell the Properties "AS IS", and prospective buyers will be provided with real estate disclosures as required by law. Each sale transaction will be subject to existing and proposed covenants, conditions, restrictions, reservations, encroachments,

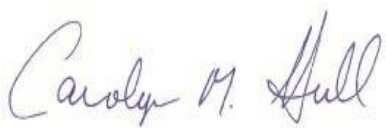
easements, rights and rights of way of record.

The recommendations contained in this report will authorize EWDD to sell the non-commercial properties at 5510 S. Manhattan Place, Los Angeles, CA 90062 located in Council District 8 and 12243 Blakley Ave., Los Angeles, CA 90059 located in an unincorporated area of Los Angeles at market value.

The gross proceeds from the sale of the Properties, estimated at Six Hundred Thousand Dollars (\$600,000), will be used to pay, in the following order, as described below:

1. Past due Los Angeles County property taxes for the Blakely Property, estimated at \$5,928.60;
2. Customary escrow and broker fees associated with the sale of the Properties, estimated at \$35,000;
3. General Fund reimbursing the \$49,118 payment for Bank of America senior loan;
4. General Fund and other fund sources, as appropriate, reimbursing for expenditures related to the, acquisition, security and maintenance of the Properties, estimated at no more than \$40,000;
5. Remaining principal balance of the CDBG loan amount of \$101,236.92 and any outstanding interest; and
6. Any remaining balance will enure to the the appropriate account as CDBG program income.

The sales will eliminate the need for continued maintenance of both Properties, the responsibility of annual property taxes for the Blakley Property, and return the Manhattan Property to the Los Angeles County tax rolls, thereby generating annual revenues from the payment of property taxes by a third party.



CAROLYN M. HULL
General Manager

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