

MOTION

The Los Angeles Housing Department (LAHD) requests authorization by the City Council and Mayor to modify City loan documents for an existing loan on the Rosslyn Lofts, located at 451 South Main Street in Council District 14 (Property). Built in 1913, and substantially rehabilitated in 2006, this mixed-use development has ground floor commercial use and a residential component with a total of 297 units, including 259 affordable deed restricted units. The former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) made a loan in 2006 as part of its affordable housing program, with a current principal loan balance \$8,406,034 (C.F. 07-2698). The California Department of Housing and Community Development (HCD) also made a loan for the acquisition and rehabilitation concurrently with the former CRA/LA loan. Both loans are subordinate to a loan by Citi (formerly Citibank) in the amount of \$20,000,000 that is in default and scheduled for a foreclosure sale.

The current owner had difficulty operating this property in compliance with LAHD and HCD reporting and residual receipt payment requirements. As rental income fell during COVID, the borrower stopped making payments to Citi, HCD and LAHD. In August 2023, the Citi loan servicer issued a Notice of Default for non-payment of the Citi senior debt. Citi requested and was granted the appointment of a receiver in December 2023 to take over the operation of the property and find a prospective new owner.

The receiver did not identify an acceptable replacement borrower prepared to assume the existing LAHD and HCD loans, so Citi began the foreclosure process in January 2024. If the property was sold through foreclosure both HCD and LAHD's financial investments and affordability restrictions would be cleared from title. As Citi has ongoing relationships as an affordable housing lender with HCD and LAHD, it asked the receiver to seek a buyer willing to negotiate an assumption of the Citi senior loan that keeps HCD and LAHD's interests in place.

Through that process, a prospective buyer, Hope for an Affordable LA LP, or another soon-to-be-identified Special Purpose Entity, has offered to purchase the property under certain conditions and concessions. These include conditions that require Council approval prior to LAHD and the City Attorney modifying the loan agreements.

The benefits from this transaction include the prevention of a foreclosure sale that could potentially convert this Property to a fully market rate project; extended affordability of 259 affordable units for the next fifty-five years; conversion of the current 38 market rate units to affordable units for the next fifty-five (55) years; and preservation of the City's financial interest and requirements. No funding is required of the City as part of this transaction.

The foreclosure sale is now scheduled for July 11, 2024 and LAHD is seeking authority to make changes to the existing loan documents in advance of the foreclosure sale.

I THEREFORE MOVE that the City Council, subject to the approval of the Mayor, authorize the Housing Department General Manager, or designee, to:

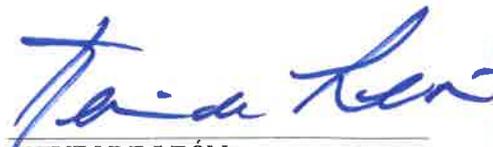
1. Execute an Assignment and Assumption Agreement on the City's existing loan (C.F. 07-2698) for the Rosslyn Lofts located at 451 South Main Street to replace the former borrower, Rosslyn Lofts Housing Partners LP, with a new borrower, Hope for an Affordable LA LP, or another soon-to-be-identified Special Purpose Entity, which will be a limited partnership that includes: TYH Fund LLC, as Administrative General Partner; TYH Credit Fund LLC, as Limited Partner, and Hope for the Mission, a California Nonprofit Corporation, as Managing General

JUN 28 2024

Partner. The two TYH LLCs have two other LLCs as members. Those entities are managed by Leo Pustilnikov, an individual, and Ramtin Rafiee, an individual, separately.

2. Amend and restate the existing \$8,406,034 loan to create a new Service Payback loan of \$6,840,000, with a term of fifty-five (55) years from the date of closing and an interest rate of zero percent, to be repaid through the provision of an additional thirty-eight (38) affordable units at the Property. The repayment will be in fifty-five (55) annual installments from the date of closing to 2079. There will be a new covenant on the property requiring that the 38 formerly market rate units be rented at affordable rents to households earning 80 percent of Area Median Income or less. Some of the current tenants in the market rate units appear to qualify; other units will be converted to affordable units upon vacancy. On the sixty-month anniversary of the amended and restated loan agreement, the number of units converted to affordable occupancy and rents will be assessed, and the service payback amount will be adjusted if 100 percent affordability has not been achieved.
3. Amend and restate the current loan with a new balance of \$1,566,034 as follows:
 - a. Reduce the interest rate from three percent to zero percent effective as of the date of default of September 21, 2023.
 - b. Defer the payment of accrued interest prior to September 21, 2023 to the earlier of (i) maturity of the loan or (ii) sale of the property.
 - c. Extend the loan term and the affordability covenants on the original 259 affordable units to be coterminous with the new amended and restated loan and covenants for the 38 new affordable units. The existing affordability limits benefiting extremely low-income and low-income residents will remain unchanged.
 - d. Clarify that residual receipts payments are to be made until the loan is fully repaid, and that residual receipts are calculated using only residential income and expenses.
 - e. The City shall recognize that the new borrower intends to refinance the Citi loan, and that the City shall not unreasonably withhold consent to subordinate to the new loan subject to LAHD approval of new loan terms, and the new lender's acceptance of City's affordability covenants and loan agreements.
4. Prepare any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Attorney.

PRESENTED BY:


KEVIN DE LEÓN
Councilmember, 14th District

SECONDED BY:



ORIGINAL