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November 9, 2023

Council File: 18-1097-S2
Council District: 9
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO EXTEND THE TERM OF THE LOW AND MODERATE INCOME HOUSING FUND PROTECTIVE ADVANCE BRIDGE LOAN FOR CASA DE ROSAS, A SUPPORTIVE HOUSING PROJECT, FOR AN ADDITIONAL 1 YEAR TERM

SUMMARY

The General Manager of the Los Angeles Housing Department (“LAHD”) respectfully requests authority to provide a one-year extension of the Low and Moderate Income Housing Fund protective advance bridge loan (“LMIHF Loan”) term with Casa de Rosas Campus, L.P. (“Borrower”) for Casa De Rosas (“Project”) (C.F. No 18-1097-S2). The Project consists of a 37-unit development located at 2600 S Hoover Street, Los Angeles, CA, 90007 in Council District 9, co-developed by WARD Economic Development Corporation and Integral Veteran Village, with a total per-unit development cost of \$535,810. The LMIHF Loan term is set to mature on December 20, 2023.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. REQUEST the City Attorney to prepare all necessary documents, including but not limited to an amendment of the Low and Moderate Income Housing Fund Protective Advance Bridge Loan for the Project; and,
 - B. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute the relevant amendment documents for the Project, subject to the approval of the City Attorney as to form.

BACKGROUND

On November 30, 2022, the City Council and Mayor authorized LAHD to provide a \$3,125,000 LMIHF Loan for the Project. The purpose of the LMIHF Loan was to protect the City’s investment of Proposition HHH dollars. If the LMIHF Loan was not provided, the Project’s construction lender, which had a Deed of Trust senior to the City’s Proposition HHH loan, would have foreclosed on the Project and risked a full or partial loss of the City’s funding and affordability restrictions on the Project. The Borrower faced construction delays and lease up challenges, which led to a need for an extension of the construction lender’s loan maturity date. The construction lender worked with the Borrower to extend the loan from September 1, 2021 to September 1, 2022, and ultimately the construction lender’s loan went into forbearance on September 1, 2022. The equity partner worked with the Borrower by providing equity installments to pay down the construction lender’s loan.

Additionally, the State Department of Industrial Relations (“DIR”) issued two Civil Wage and Penalty Assessments on July 8, 2022 and August 2022. Several Pre-Hearing Conferences and Settlement Hearings were held with the DIR, General Contractor (“GC”), and the subcontractor from December 5, 2022 through November 1, 2023 to resolve the DIR settlements in good faith. On November 1, 2023, one of the two cases was dismissed. The Borrower is waiting for the second case to be formally dismissed by the DIR.

On December 20, 2022, LAHD and the Borrower entered into the LMIHF Loan Agreement and the funds were disbursed, along with \$867,856.89 of HHH funds to pay off the construction lender to avoid foreclosure. All parties are working in good faith to reach a solution. The LMIHF Loan is payable in full upon the earlier of (i) conversion to permanent financing, or (ii) twelve (12) months from execution of loan documents. As the loan term approaches the 12-month deadline, and LAHD and the Borrower are awaiting the expected dismissal of the second DIR case, which dismissal will allow the conversion to permanent financing, a one-year extension is necessary to ensure that the LMIHF Loan does not fall into default.

FISCAL IMPACT

There is no fiscal impact to the General Fund.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department