

MOTION

The Rosslyn Lofts ("Project") is a 297-unit historic building located at 451 South Main Street in downtown Los Angeles, in Council District 14. The Project comprises 257 affordable units, 38 market rate units, and two manager units, plus commercial space on the ground floor. The Project was originally acquired in 2007 with financing that included tax exempt private activity bonds subsequently purchased by Citibank, and two loans by the Community Redevelopment Agency of the City of Los Angeles in the aggregate amount of \$8,000,000 (CF#11-1262). The California Department of Housing and Community Development (HCD) loaned an additional \$6,900,000 to the Project in 2012.

The Project has been in financial distress for several years due to, among other things, declining property conditions, vacant commercial space on the ground floor, and ongoing property management issues including tenant non-payment of rent, damage to property, difficult unit turnover, and extended processes to lease-up vacant units. The Project's owner has been unable to meet its loan obligations to Citibank and as a result Citibank has begun the process of foreclosing on the Project, which will cause the City to lose its right to repayment of its 2007 loan and could jeopardize the Project's affordability requirements affecting 257 units.

On October 2, 2023, Citibank, the senior lienholder, petitioned the Court for the appointment of a receiver. Kevin Singer of Receivership Specialists was appointed on November 9, 2023. Citibank, HCD and the City all issued notices of default associated with their respective loans in 2023-2024. Citibank has postponed its trustee sale several times to allow HCD and the City to identify and recruit a viable Project sponsor. Citibank has notified the City and HCD that it intends to proceed with the Trustee's Sale on May 8, 2025 unless its loan is reinstated with a payment of approximately \$2,000,000.

Due to the urgency of Citibank's pending foreclosure action and the declining physical condition of the asset, the Los Angeles Housing Department (LAHD) and HCD recently agreed to collaborate in order to facilitate and implement a plan to stabilize the Project's financial and operational performance. This plan includes analyzing and responding to an offer from a qualified developer ("Developer") to acquire and renovate the Project, and agreeing to a potential change in the Project's overall mix of affordable rent limits.

The Developer will submit a proposal to restructure the Project's ownership entity by replacing the managing general partner of the limited partnership with another entity, and the Developer will contribute a significant amount of new funding for extensive Project renovations and property operations (Stabilization Plan). In addition to the infusion of new equity capital and completion of much needed Project renovations, the Stabilization Plan may include revising the Project rents to higher Area Median Income (AMI) per the California Tax Credit Allocation Committee (TCAC) rent limits. Such rent increases would not exceed 60% AMI per the TCAC rent limits, resulting in rent increases for those units currently at lower rent limits. LAHD will review the Stabilization Plan to ensure that it responds to the Project's overall needs and is in compliance with all applicable laws and regulations, including but not limited to City, HCD and Health and Safety Code(HSC). HCD and LAHD will be required to review and approve any changes to the current project structure, including a review by the City Attorney.

Disbursement of City funds to repay the Citibank loan and to the Project's reserve account will be contingent upon (1) LAHD's approval of the Developer's final and complete proposal and 2) approval and execution of all applicable agreements and contracts between City, HCD, Citibank and the Developer. The



deadline to pay the reinstatement costs to Citibank is May 2, 2025; the foreclosure sale is set for May 8, 2025.

I THEREFORE MOVE that the City Council authorize and instruct the General Manager of LAHD, or her designee, to take all requisite actions to implement the Stabilization Plan related to the Project, including but not limited to recording a new or an Amended and Restated Agreement Containing Covenants for a term of 55 years with any Council-approved revisions to the AMI and/or rents, subject to the approval of the City Attorney, consent to Project's new ownership and/or restructuring of the Project's ownership entity (Partnership) including a new managing general partner fully responsible for owning and operating the Project, and negotiating and executing a new loan agreement and related documents required to disburse up to \$2,500,000 to the Partnership, all subject to compliance with the *Wiggins* Settlement (if required), Health & Safety Code (HSC) Regulations, HCD regulations, City Attorney review and approval as appropriate, and all other applicable law.

I FURTHER MOVE that the City Council authorize and instruct the General Manager of LAHD or her designee to act on behalf of the City to approve and process proposed changes related to the compliance of the Project including unit affordability subject to compliance with the *Wiggins* Settlement (if required), HSC Regulations, HCD Regulations, review and approval by the City Attorney as appropriate, and all other applicable law.

I FURTHER MOVE that the City Council request the City Controller to obligate and disburse up to \$2,500,000 from the Affordable Housing Trust Fund, account 43P501-ADI Settlement, upon written demand of the LAHD General Manager, or her designee towards the stabilization of the Project, including up to \$1,000,000 to Citibank related to Citibank's loan reinstatement to the Project, and up to \$1,500,000 plus any unused reinstatement funds to be used to fund the Project's replacement and operating reserve accounts to complete necessary repairs and improvements.

I FURTHER MOVE that the General Manager of the LAHD, or designee, subject to review and approval of the City Attorney as to form, and in compliance with all applicable laws and regulations including but not limited to City, HCD and HSC, be authorized to negotiate and execute a loan agreement and related documents to lend up to \$2.5 million to Partnership.

I FURTHER MOVE that the City Council authorize LAHD to make any corrections, clarifications, or revisions to the above Controller's instructions, including any new instructions in order to effectuation the intent of this Motion, and including any corrections and changes to fund or account numbers; said corrections / clarifications / changes may be made orally, electronically or by other means.

PRESENTED BY:


YSABEL JURADO

Councilmember, 14th District

SECONDED BY:



ORIGINAL