

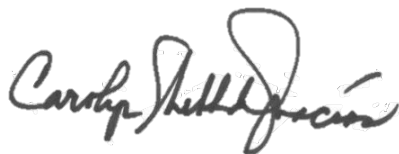
TRANSMITTAL

To: **THE COUNCIL**

Date: **11/14/24**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read 'Carolyn Webb de Macias', is centered on the page.

(Carolyn Webb de Macias for)

KAREN BASS

Mayor

City of Los Angeles

Tricia Keane, Interim General Manager

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager



Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
Los Angeles, CA 90026
Tel: 213.675.7272

housing.lacity.org

October 29, 2024

Council File: 09-0515
Council Districts: CD 12
Contact Persons: Jackie Cornejo (213) 928-9050
Mariano Napa (213) 999-1265
Eric Claros (323) 273-5356

The Honorable Karen Bass
Mayor, City of Los Angeles
Room 300, City Hall
200 N. Spring Street
Los Angeles, CA 90012

**COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO SELL A CITY-OWNED PROPERTY
LOCATED AT 8431 GEYSER AVENUE**

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests approval of various actions related to the disposition of a City-owned residential property located at 8431 Geyser Avenue, Northridge, CA 91324 ("Property") with APN #2785-013-900. The requests include the approval to draft a sales ordinance to effectuate the sale, and approval to draft and execute a Purchase and Sale Agreement of the Property with a buyer. LAHD will utilize the services of a state-certified real estate agent or broker to market the Property to potential buyers and facilitate the sale transaction.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager or their designee pursuant to Los Angeles Municipal Code Section 7.33.3(b), to direct a real estate agent or broker to sell the City-owned property located at 8431 Geyser Avenue, Northridge, CA 91324 for its Fair Market Value (FMV), and use the sale proceeds to pay off a defaulted loan recorded as a lien against the property made by the California Housing and Community Development Department (HCD), and deposit the net sale proceeds into the Low-and-Moderate Income Housing- Fund 55J upon receipt of the funds from an escrow company;

- B. AUTHORIZE the General Manager of LAHD, or designee, to execute all ancillary documents, including a Grant Deed or Quit Claim Deed, required for the sale of the Property and for the transfer of title of the Property from LAHD to the buyer;
- C. AUTHORIZE the City Attorney to prepare and present an Ordinance to effectuate the sale of the real property located at 8431 Geyser Avenue at FMV;
- D. DECLARE, based on the findings contained herein, that the City-owned property is “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(B), and direct LAHD to take any other necessary actions for compliance with the requirements of the Surplus Land Act (SLA); and,
- E. DECLARE that the sale of this Property is categorically exempt from the provisions of California Environmental Quality Act (Pub. Res. Code §21000 *et seq.*) (CEQA), pursuant to CEQA Guidelines Section 15312 and that there is no substantial evidence demonstrating that an exception to a categorical exemption pursuant to CEQA Guidelines, Section 15300.2 applies.

BACKGROUND

In response to the City's affordable housing crisis, LAHD was designated to oversee the disposition of certain City-owned properties deemed suitable for affordable and supportive housing development. These properties include those transferred to LAHD from the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA), properties transferred from other City departments, and sites acquired through foreclosure.

The Property is currently improved with an existing single-family structure with an area of 2,238 square feet. In July 1992, the former CRA/LA made a \$200,000 rehabilitation loan to the previous owner, Project Headway Inc. (“Project Headway”), a California nonprofit organization (“Previous Developer”). The loan was secured by a deed of trust and a 30-year regulatory agreement. The CRA/LA regulatory agreement restricted the use of the site to a six-bedroom residential care facility for disabled adults. In February 1993, HCD made a \$191,500 loan to Project Headway. A deed of trust and a 20-year regulatory agreement were recorded on the Property to secure this loan. The HCD regulatory agreement was executed to provide permanent supportive housing to disabled homeless residents. The HCD Funds were sourced from HCD’s annual federal entitlement provided by the U.S. Department of Housing and Urban Development. The origin of these funds would later impact the status of this loan.

In 2002, Project Headway declared bankruptcy. In 2005, HCD declared default on its loan to Project Headway. In July 2006, the CRA/LA accepted a Deed-in-Lieu-of Foreclosure from Project Headway in exchange for forgiving the CRA/LA loan balance. The Property has become vacant since then. Following the CRA/LA’s dissolution in May 2013, the Property’s title transferred from CRA/LA to LAHD as the successor agency.

In April 2016, LAHD opened a Request for Qualifications and Proposals (RFP/Q) to select a new developer for the Property. The previous covenant restricts 100% of the dwelling units to be “occupied and rented exclusively by persons of very low income who are disabled.” With that in mind, the RFP/Q stated that the City “prefers that this parcel be rehabilitated into a state-licensed group home for developmentally disabled adults.” LAHD had planned to sell the Property to a selected developer for the Property's fair market value and carry back a promissory note in the form of a service payback loan with a term of 30 years. LAHD, through the RFP/Q, selected Valley Village Inc. (VVI) as the developer. VVI had proposed rehabilitating the Property into a six-bedroom permanent home suitable for medically fragile adults with developmental disabilities and with incomes below 30% of the Area Median Income (AMI).

Since 2016, LAHD has contacted HCD to request a modification of the HCD loan to allow for low income individuals only rather than specifically persons experiencing homelessness. LAHD was also in communication with HUD because the \$191,500 in loan funds originated from HUD and were disbursed through HCD. In September 2019, LAHD formally requested HCD to make the following changes in the terms of the loan:

1. Allow for a change in use from permanent supportive housing to a group home facility.
2. Allow LAHD to sell the Property to VVI for its fair market value.
3. Modify the term to 10 years, which will be forgiven after 10 years of compliance.

HUD responded that it is unwilling to modify the loan, as the original HCD loan requires the Property to house disabled individuals experiencing homelessness. HUD's counterproposal requires VVI to alter its project to serve disabled homeless individuals. However, VVI stated that it does not serve homeless individuals.

HUD also asked if a new developer could replace VVI for the site. LAHD staff believes finding a suitable replacement developer to satisfy HUD's requirements is not feasible because the site is zoned as R-1 (single-family residential). None of LAHD's homeownership programs are designed to provide supportive housing for low-income households with incomes at or below 50% of the Area Median Income. VVI declined to alter its proposed project despite the fact that VVI's proposal is incongruent with HUD's intent for this Property. In July 2022, VVI told LAHD they could not change their project to serve a homeless population. The contract with VVI has since been canceled.

At this time, LAHD staff recommends that the site be sold rather than repeat the process to coordinate another request for proposals. According to City of Los Angeles Administrative Code Division 7, Chapter 1, Article 4 Sec. 7.33.1 through 7.33.5, and City of Los Angeles Charter Section 385, LAHD will utilize a real estate broker or agent to sell the Property at a purchase price based on its fair market value. An appraisal report prepared by Gold Coast Appraisals, Inc. (GCAI) on October 12, 2024, showed that the fair market value of the Property is \$930,000. GCAI will update of the appraisal prior to marketing the sale of the property. If there are multiple purchase offers, LAHD will select the offer that has the least number of contingencies and for no less than the FMV. LAHD will use the sale proceeds to pay off the defaulted HCD loan of \$191,500 and deposit the net sale proceeds into the Low-and-Moderate Income Housing Funds upon receipt of the funds from an escrow company. The CRA and HCD covenants will be formally terminated at the close of escrow upon the defaulted HCD loan's payoff. Attachment A is a letter from HCD confirming that the covenant will be terminated upon the close of escrow. No other public funds will be invested in this Property; thus, no other regulatory agreements will be required for the sale.

Surplus Land Act

The SLA was amended by the California State Legislature by the adoption of AB 1486, effective January 1, 2020. Under the SLA, government entities must declare the property as either "surplus land" or "exempt surplus land" before commencing the property disposition process. In this case, the Property is exempt under Government Code Section 54221(f)(1)(B), sometimes referred to as the "small parcel exemption", which requires the following findings:

The Surplus Land is less than one-half acre, or 21,780 square feet, in an area not contiguous to land owned by a state or local agency that is used for open-space-space or low and moderate-income housing purposes.

The Property that is the subject of this transmittal is a single-family residence located on a 10,620-square-foot lot. In addition, the Property is not contiguous to land used for open space or for low and moderate-income housing, owned by a state or local agency. Consequently, the Property satisfies the declaration as exempt surplus land pursuant to Government Code Section 54221(f)(1)(B).

California Environmental Quality Act

The sale of this City-owned property is categorically exempt from the provisions of California Environmental Quality Act (Pub. Res. Code §21000 *et seq.*) (CEQA), pursuant to CEQA Guidelines Section 15312 and that there is no substantial evidence demonstrating that an exception to a categorical exemption pursuant to CEQA Guidelines, Section 15300.2 applies.

FISCAL IMPACT

There is no impact on the General Fund. The recommendations in this report will authorize LAHD to sell 8431 Geyser Avenue, located in Council District 12 at fair market value. The net proceeds from the sale will be returned to the Low and Moderate Income Housing- Fund 55J, in accordance with California Redevelopment Law, and used to repay the outstanding debt to HCD in the amount of \$191,500.

Approved By:



TRICIA KEANE
Interim General Manager
Los Angeles Housing Department

ATTACHMENT:

Attachment A - Confirmation of Regulatory Agreement Termination

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE
ASSET MANAGEMENT AND COMPLIANCE BRANCH
COMPLIANCE RESOLUTION PROGRAM**

651 Bannan Street, 8th Floor
Sacramento, CA 95811 or
P. O. Box 952054
Sacramento, CA 94252-2054
916-562-9988
www.hcd.ca.gov



September 10, 2024

Jackie Cornejo, Financial Development Officer
Los Angeles Housing Department
Housing Development Bureau, Housing Innovation Strategies Division
1200 W. 7th Street
Los Angeles, CA 90017

RE: Project Headway #91-HRL-PH-001
Property Address: 8431 Geyser Avenue, Los Angeles, CA 91324

Dear Jackie Cornejo,

The Department of Housing and Community Development (the "Department") received a request on August 20, 2024, for written confirmation that the Regulatory Agreement under the Permanent Housing for the Handicapped Homeless Program ("PHHP"), for the property known as Project Headway (the "Project"), will terminate once the loan is fully paid off.

This letter confirms that when the Department receives the funds from the sale of the Project, and the payment has been cleared by the Financial Management Office ("FMO"), the following will occur:

- 1) The PHHP Regulatory Agreement dated February 5, 1993, will be terminated.
- 2) The Memorandum of the Regulatory Agreement dated February 11, 1993, and recorded February 23, 1993, will be reconveyed by FMO.
- 3) The PHHP Deed of Trust and Assignment of Rents dated February 18, 1993, and recorded February 23, 1993, will be reconveyed by FMO.

If there are questions or further assistance is needed, please contact Kimberly Kershaw at kimberly.kershaw@hcd.ca.gov or at 916-562-9988.

Sincerely,

Mai Le

Mai Le, Manager
Compliance Resolution Program

Enclosure: Payoff Demand