

Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R24-0448
Sept. 19, 2024

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF CITY-OWNED PROPERTY
LOCATED AT
2949 EDGEHILL DRIVE, LOS ANGELES, CALIFORNIA 90018
(COUNCIL DISTRICT 10)**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 21-1328

Honorable Members:

As requested by the City Council, this Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance authorizes the sale of City-owned real property located at 2949 Edgehill Drive, Los Angeles, CA 90018 (the Property) to the Housing Authority of the City of Los Angeles (HACLA), a public body corporate and politic (Buyer).

Background

The Property consists of three vacant buildings subject to the Rent Stabilization Ordinance (RSO). It includes five residential units (two, one-bedroom and three, three-bedroom units), five parking spaces, and a coin operated laundry facility. The Property was acquired by the City in 2016 through a Settlement Agreement between the Los Angeles Housing Department (LAHD or Department) then known as the Housing and Community Investment Department (HCID) and CitiMortgage. The settlement was over

fees and penalties owed by CitiMortgage pursuant to the City's Foreclosure Registry Ordinance and included the transfer of the Property to the City.

Sale Information

In June of 2022, as amended May 31, 2024, pursuant to Council File No. 21-1328 and Los Angeles Administrative Code (LAAC) Section 7.27, the City Council determined that the public interest or necessity required the sale of the Property to the Buyer without notice of sale or advertisement for bids. The sale was determined to be in the public interest or necessity because the Buyer agreed to rehabilitate the Property for use as long-term (i.e., 75 years, plus 2 years to complete rehabilitation) affordable housing with priority given to Section 8 voucher-holders. While landlords are legally prohibited from discriminating against voucher holders, many still face difficulties in locating units and it is not uncommon for a significant number of vouchers to expire or remain unused.

The Property will also be conveyed subject to a deed restriction in the form of a condition subsequent requiring that the Property be used as housing, which shall be subject to a power of termination (POT) pursuant to California Civil Code Section 885.010 et seq. The POT shall be set forth in the City Covenant (discussed below) and the grant deed transferring the Property from the City to Buyer, and will preserve the City's interest in the Property in the form of the right to bring a civil action for the return of the Property in the event it ceases to be used for affordable housing purposes in accordance with the City Covenant.

The Buyer is required to rehabilitate the Property for use as a five-unit affordable housing project (the Project). The rehabilitation is not being financed by the City. At least one unit must comply with the Uniform Federal Accessibility Standards (UFAS) for mobility accessibility and at one unit must comply with the UFAS requirements for communication accessibility. While ownership of the Property by Buyer will exempt the Property from the provisions of the RSO, all five units will be income and rent restricted to households earning at or below 80% of area median income. Specifically, one, one-bedroom unit will be restricted to Extremely Low-Income Households earning at or below 30% Area Median Income (AMI), one, one-bedroom unit will be restricted to Lower Income Households earning at or below 60% AMI, and three, three-bedroom units will be restricted to Low Income Households earning at or below 80% AMI. A City affordable housing covenant (City Covenant) will be recorded against the Property to secure the above-referenced rent and income restrictions at the Project.

Pursuant to LAAC Section 7.27.3, LAHD is authorized to convey any interest in real property owned and controlled by the City at below its fair market value (here, its fair-reuse value) subject to the City Council making a finding that the conveyance at such price with the terms and conditions imposed thereon, serves a public purpose. In September of 2023, Keyser Marston Associates (KMA) prepared a report as to the

estimated fair-reuse value of the Property based upon the aforementioned affordable housing requirements to be placed on the Project by the City. KMA determined that even if the Buyer received the Property at no cost, the long-term affordability restrictions, coupled with the prevailing wage and accessibility requirements associated with rehabilitation of the Project, result in an estimated \$233,000 of additional financial assistance in order for the Project to be feasible. KMA's report concludes that while the City will not receive the current fair market value for the Property, which as of August 17, 2023, was \$1,700,000, the proposed sales price of \$0.00 is higher than the estimated fair reuse value of negative \$233,000, once the City's affordability restrictions are taken into account.

The conveyance and draft ordinance are in conformance with the provisions of Section 385 of the Los Angeles City Charter and Sections 7.27.and 7.27.3 of the LAAC.

Sale of City Property Instead of Lease

Pursuant to LAHD's Property Disposition Policy adopted on November 21, 2017, where feasible, it will utilize long-term ground leases for the development of affordable housing projects on publicly owned land. However, exceptions to this general policy may apply. Under such circumstances, LAHD may opt to convey the Property at fair market value or fair reuse value, subject to the affordable housing restrictions and other requirements. Here, LAHD has determined that a sale to HACLA for \$0.00 and rehabilitation, is warranted in light of the fact that HACLA has agreed to: (1) a 77-year City Covenant (again, 75 years, plus 2 years to complete rehabilitation) requiring the Project to be used as affordable housing, (2) a POT in the City Covenant and grant deed, and (3) prioritize voucher holders, many of whom continue to face difficulties in locating units due to factors, including, but not limited to discrimination.

AB 1486 Surplus Property Requirements

Pursuant to a letter dated August 28, 2023, the California Department of Housing and Community Development has determined that the Property qualifies as "exempt surplus land" pursuant to Government Code Section 54221(f)(1)(D).

California Environmental Quality Act

The City Council may determine that, based on the whole of the administrative record, that the draft ordinance and 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.

Further analysis in support of this CEQA exemption is set forth in the narratives and reports that have been, or will be transmitted relative to this draft ordinance. If the City Council concurs with the CEQA analysis, it should adopt these CEQA findings prior to or concurrent with its action on the draft ordinance. The Office also recommends the City Council direct LAHD to file a Notice of Exemption with the County Recorder's Office following the adoption of the draft ordinance.

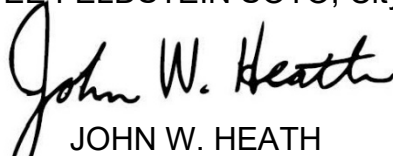
Council Rule 38 Referral

Pursuant to Council Rule 38, a copy of the draft Ordinance was sent to LAHD with a request that any comments be transmitted directly to the City Council or its Committees when this matter is considered.

If you have any questions regarding this matter, please contact Deputy City Attorney Mei-Mei Cheng at (213) 313-8294. A member of this Office will be present when you consider this matter to answer questions you may have.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By: 
JOHN W. HEATH
Chief Assistant City Attorney

JWH:MMC:sw
Transmittal

M/LAHD/CHENG/ FINAL REPORT TO COUNCIL (2949 EDGEHILL DRIVE) 9-12-24