

Communication from Public

Name: Nathan Ward

Date Submitted: 05/27/2022 09:20 AM

Council File No: 21-0600-S101

Comments for Public Posting: My name is Nathan Ward, I'm a CD1 resident and I am writing today to express my strong support for the Hillside Villa Tenants' Association. I'm tired of seeing my neighbors, especially the elderly being taking advantage of and pushed out of our community. My family lost their house in Highland Park after the recession and we know personally how devastating it can be to have your life uprooted. Losing your home is more than an inconvenience, it is a destructive and life shattering experience and in the case of the Hillside Villa tenants is something you can prevent. Please vote yes on this motion and demonstrate that you truly care about our community, not the interests of developers and landlords working actively to exploit it.

Communication from Public

Name: Jonpaul Rodriguez Tuchan

Date Submitted: 05/27/2022 09:31 AM

Council File No: 21-0600-S101

Comments for Public Posting: My name is Jonpaul Rodriguez, I live in North Hollywood - Hartsook Street. I am addressing Paul Krekorian - Vote YES on approving a loan to support Hillside Villa Tenant Association. This bold and powerful move will restore hope into the hearts of the people and will be remembered forever. Support eminent domain now! Housing for the people, not unscrupulous developers. Thank you. 11047 Hartsook Street - Lourine Court Apartments.

Communication from Public

Name: Jessica Craven

Date Submitted: 05/25/2022 01:55 PM

Council File No: 21-0600-S101

Comments for Public Posting: Hey there. Constituent in CD1. I support the Hillside Villa Tenants' Association. Please authorize the LA Housing Department to use a reserve fund loan to preserve 124 units of affordable housing in Chinatown. Thanks!

Communication from Public

Name: Linda Okamura
Date Submitted: 05/26/2022 09:10 PM
Council File No: 21-0600-S101
Comments for Public Posting: I would like to express my strong support for the Hillside Villa Tenants' Association. Please take action to authorize the Los Angeles Housing Department (CF 21-0600-S101) to use a reserve fund loan to preserve 124 units of affordable housing in Chinatown.

Communication from Public

Name: John Kawakami
Date Submitted: 05/27/2022 02:16 AM
Council File No: 21-0600-S101
Comments for Public Posting: I support using Eminent Domain to purchase Affordable Housing with contracts that are near expiration, to increase the stock of public housing. This sets a new precedent, similar to what the government in Berlin did, that may help cool the inflated housing market.

Communication from Public

Name: Roberto Garcia-Ceballos

Date Submitted: 05/27/2022 07:29 AM

Council File No: 21-0600-S101

Comments for Public Posting: Los Angeles City Council, I am Roberto Garcia-Ceballos, co director of Fideicomiso Comunitario Tierra Libre. I am writing today to express my strong support for the Hillside Villa Tenants' Association. Please take action to authorize the Los Angeles Housing Department (CF 21-0600-S101) to use a reserve fund loan to preserve 124 units of affordable housing in Chinatown. Hillside Villa was built in 1988 with Community Redevelopment Agency (CRA) funds, under a covenant guaranteeing all units to be affordable for 30 years. Since the covenant status expired in 2018, Tom Botz, who bought the building in 2000, has been pressuring tenants to "self-evict" by raising the rent. Many of these tenants have been in the building – and in the Chinatown community – for decades. Some are the second generation of their family to live in Hillside Villa. The current rents are up to 300% what tenants were paying under the affordability covenant. For most tenants in the building, the landlord is asking for 100% of their income or more. Tenants under Section 8 have seen drastic increases in both the overall rent and the portion they are responsible for. The motion to use a reserve fund loan to purchase Hillside Villa Apartments to keep it permanently affordable was initially made over a year ago. It has the support of over 30 community groups, State Senator Maria Elena Durazo, and over 400 of LA City residents who have written and called in for public comment. Despite the outpouring of public support for this motion, the Budget and Finance Committee requested a report from LAHD instead of voting in September, 2021. That report, which finally became available two weeks ago, lays out a clear way forward for the city to purchase the building with a reserve fund loan, which can be paid back by transferring ownership to HACLA. In the year that you have been deliberating, Tom Botz has collected hundreds of thousands of dollars in unfair rents through the ERAP and Housing is Key programs, not to mention the money he brags about getting from HACLA "like clockwork." There are no more excuses. Vote yes on this motion. There is no more time to waste while this exploitative landlord takes advantage of his tenants and of City, State, and Federal programs to enrich himself at taxpayer expense. The city council must take action NOW Thank you, Roberto

Communication from Public

Name: Lincoln Heights Intel

Date Submitted: 05/27/2022 07:37 AM

Council File No: 21-0600-S101

Comments for Public Posting: Please see attached PDF May 26, 2022 CF 21-0600-S101 Honorable City Council City of Los Angeles 200 N. Spring Street Los Angeles, CA 90012 Re: Council Meeting May 27, 2022 RE: CF 21-0600-S101 MOTION NO. 42 / CITY ADMINISTRATIVE OFFICER / LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPT / HILLSIDE VILLA. Motion No. 42 05-20-2021 (Cedillo / de Leon) LAHD HCID REPORT 05-09-2022 Dear Hon members of City Council, Hillside Villa Tenants Need Immediate Action. Every council file related to this case is listed below. There are approximately 16 vacant units . The landlord wants more vacant units. One by one he picks them off by doubling or tripling their rent and finds pleasure in that action. His name is Tom Botz. In the 80's re: HUD BDG Funds and covenants- nobody knew what it would be like in 30 years. Considering the entire area was razed numerous times for urban renewal- save tourist attraction Pico house and the surrounding placita, the city owes the people their rightful place in the pueblo. The new market rate condos at \$4500 a month - located where they are - are physical visible monuments to white supremacy. Much like the confederate flag flying over the Pueblo in 1848. These Market rate Luxury condos for future residents are built on top of the bones of the people who were deprived of agency - the Indigenous, chinese, mexican and black lives who built the Original City. History says the City of LA, a municipal corporation should have HACLA call HUD and have them reallocate the William Mead mixed use redevelopment tear down funds to acquire Hillside Villa. We need our communities left in tact otherwise this is another ethnic cleansing of the Pueblo. And more brass plaques at City Pueblo tourist attraction commemorating the acts the city keeps repeating for generations. Thank you LINCOLN HEIGHTS INTEL

May 26, 2022

CF 21-0600-S101

Honorable City Council
City of Los Angeles
200 N. Spring Street
Los Angeles, CA 90012

cc: President Nury Martinez (councilmember.martinez@lacity.org)
Member Gil Cedillo (Gilbert.Cedillo@lacity.org)
Member Paul Krekorian (councilmember.krekorian@lacity.org)
Member Bob Blumenfield (councilmember.blumenfield@lacity.org)
Member Nithya Raman – (contactCD4@lacity.org)
Member Paul Koretz (paul.koretz@lacity.org)
Member Monica Rodriguez (councilmember.rodriguez@lacity.org)
Member Marqueece Harris-Dawson (councilmember.harris-dawson@lacity.org)
Member Curren D. Price, Jr. (councilmember.price@lacity.org)
Member Herb J Wesson, Jr. (CD10ConstituentServices@lacity.org)
Member Mike Bonin (councilmember.bonin@lacity.org)
Member John Lee (councilmember.lee@lacity.org)
Member Mitch O'Farrell (councilmember.ofarrell@lacity.org)
Member Kevin de León – (councilmember.kevindeleon@lacity.org)
Member Joe Buscaino (councilmember.buscaino@lacity.org)

Re: Council Meeting May 27, 2022

RE: CF 21-0600-S101 MOTION NO. 42 / CITY ADMINISTRATIVE OFFICER / LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPT / HILLSIDE VILLA.

Motion No. 42 05-20-2021 (Cedillo / de Leon) LAHD HCID REPORT 05-09-2022

Dear Hon members of City Council,

Hillside Villa Tenants Need Immediate Action. Every council file related to this case is listed below. There are approximately 16 vacant units. The landlord wants more vacant units. One by one he picks them off by doubling or tripling their rent and finds pleasure in that action. His name is Tom Botz. In the 80's re: HUD BDG Funds and covenants- nobody knew what it would be like in 30 years. Considering the entire area was razed numerous times for urban renewal- save tourist attraction Pico house and the surrounding placita, the city owes the people their rightful place in the pueblo. The new market rate condos at \$4500 a month - located where they are - are physical visible monuments to white supremacy. Much like the confederate flag flying over the Pueblo in 1848. These Market rate Luxury condos for future residents are built on top of the bones of the people who were deprived of agency - the Indigenous, chinese, mexican and black lives who built the Original City. History says the City of LA, a municipal corporation should have HACLA call HUD and have them reallocate the William Mead mixed use redevelopment tear down funds to acquire Hillside Villa. We need our communities left in tact otherwise this is another ethnic cleansing of the Pueblo. And more brass plaques at City Pueblo tourist attraction commemorating the acts the city keeps repeating for generations.

Thank you

LINCOLN HEIGHTS INTEL

Related Council Files:

Hillside Villa

CF 20-0148-S2 636 NORTH HILL PLACE / HILLSIDE VILLA APARTMENTS / AFFORDABLE PUBLIC HOUSING PRESERVATION

Motion 12-08-2020 (Cedillo/ Buscaino)

CAO Report 0220-00540-1540 05-13-2021

Rec 12-08-2020 / Exp 05-13-2023

CF 20 0148-S1 636 NORTH HILL PLACE / HILLSIDE VILLA APARTMENTS / AFFORDABLE PUBLIC HOUSING PRESERVATION / CORONAVIRUS RELIEF FUNDS

Motion 11-24-2020 (Cedillo/ Lee)

CAO Report 0220-00540-1512 12-02-2020.

Rec 11-24-2020 / Exp 12-07-2022

CF 20-0148 636 NORTH HILL PLACE / HILLSIDE VILLA APARTMENTS / CHINATOWN / AFFORDABLE HOUSING DEVELOPMENT / COVENANT / EMINENT DOMAIN

Motion 01-31-2020 (Cedillo / Harris-Dawson)

LAHD HCID Report 06-12-2020

Rec 01-31-2020 / Exp 06-26-2022

CF 19-0771 636 NORTH HILL PLACE / HILLSIDE VILLA APARTMENTS / RESTRUCTURE OF CITY LOAN / EXTENSION OF AFFORDABILITY COVENANTS

Motion 07-03-2019 (Cedillo / Wesson)

Rec 07-03-2019 / Exp 08-02-2021

CF 19-0521 EXPIRING AFFORDABLE COVENANTS / DISPLACEMENT OF LOW INCOME AND SENIOR HOUSEHOLDS / PROTECTION / COUNCIL DISTRICT 1

Motion 05-17-2019 (Cedillo / Wesson)

Rec 05-17-2019 / Exp 06-21-2021

CF 85-1742 REC TO APPROVE THE HOUSING DEVELOPMENT GRANT AGREEMENT WITH US DEPT OF HOUSING (HUD) FOR THE HANCOCK TERRACE HDG GRANT

Initiated by: Mayor, Community Development Department

Rec 09-26-1985 / Exp 01-18-1989

10-04-1985 - GH & CD Committee Report ADOPTED HDG Grant Agreement with HUD for the Hancock Ter HDG grant & Contract with Hancock Ter. Authorize Controller to expend funds upon demand by the CDD GM from the Community Development Trust Fund #7716, Acct #84218, Housing Production in amt of \$190,539. & Acct #85214, Housing Production in the amt of \$106,461. Authorize Controller to establish an account for the HODAG funds under Community Development Trust Fund #7716 Acct #85xxx entitled Hancock Terrace HODAG account in the amount of \$591,285.

08-06-1986 - GH & CD Comm Rpt ADOPTED- Rec that Ccl, subj to approval of Mayor:

- 1) APPROVE proposed Supplementary City Agreement (Housing Production - Hancock Ter) to HDG owner - Grantee Agreement: Hancock Ter & authorize the GM of the CDD to execute the contract, providing a loan of \$500,000. in CDBG funds until receipt by City of \$591,285. in HUD funds;
- 2) AUTHORIZE Controller to expend addl \$203,000. CDBG funds from CDD Trust Fund #7716, Acct #087210, HOME Program, amt reimbursed upon receipt of HODAG funds;
- 3) DELETE Rec #4 of 09-24-1985 Transmittal in its entirety & substitute the following: a) AUTHORIZE Controller to expend funds upon demand by CDDGM from the CD Trust Fund

#7716, Acct #084218-Housing Production in amount of \$106,466. b) INSTRUCT Controller to deposit upon receipt of \$106,466. into CD Trust #7716, Acct #000110 entitled Program Income Acquisition Costs Repaid & transfer funds into Acct #087212 Housing Production 05-12-1987 - For ref: Mayor / CDD - Request to Approve First Amend to Housing Development Grant owner grantee agreement: Hancock Terrace to provide clarification of Owner's identity & lease terms, & to reduce owner's equity.
05-26-1987 - GH & CD COMMITTEE REPORT ADOPTED rec Ccl, subj to approval of Mayor:
1. APPROVE AMENDMENT to grant agreement #CA010HG409 b/t City & HUD for Hancock Project to clarify developer identity, ground lease terms & owner's equity.
2. AUTHORIZE Mayor to execute Grant Amendment on behalf of City.
06-01-1987 - Mayor's message concur in action of 05-26-1987
06-01-1987 - File to Cal Clerk per red tag

CF 85-1474 HOUSING DEVELOPMENT GRANT AGREEMENTS BETWEEN LA AND US DEPT. OF HOUSING -HUD / GOVERNING MONTECITO APT PROJECT IN HOLLYWOOD & BROADWAY APTS PROJECT IN S CENTRAL LA.

Initiated by: Mayor, Community Redevelopment Agency (CRA)

Rec 08-14-1985 / Exp 05-14-1987

03-10-1986 - For Ref -Mayor- CRA - AUTHORIZE the Controller to establish 4 accounts for the HDG funds; under CDD Trust Fund no. 7716, entitled "Montecito Apts. HDG Account" in the amount of \$1,100,000; "Broadway Apts. HDG Account" in the amount of \$325,000. "Hillside Villa HDG Account" in the amount of \$1,860,000; & "Chelsea Court HDG Account" in the amount of \$262,000; & further authorize the Controller to expend funds upon proper demand from CDD from said accounts. Grant agreement between the City of Los Angeles & HUD.

03-19-1986 - GH & CD Comm Rpt ADOPTED, subj to approval by Mayor, to rescind Recommendation #5 to Controller in CF 85-1742, adopted by Ccl on 10-04-1985 & concurred by Mayor on 01-21-1986. Instruct & authorize the Controller to establish a new fund in the amount of \$4,138,285. entitled Housing Develop Grant Fund & to establish the appropriations in the various accounts listed in report.

03-20-1986 - Mayor's message concur in action of 03-19-1986

CF 84-1464-S1 REC TO APPROVE US DEPT OF HOUSING - HUD - AGREEMENT ENTITLED ACCEPTANCE OF NOTIFICATION OF PRELIMINARY FUNDING APPROVAL MASSELIN MANOR / MANHATTAN MANOR / WADSWORTH VILLAGE / MANHATTAN PLACE / LOS ANGELES SUNSET CHINATOWN / HLL CHINATOWN / BROADWAY APARTMENTS / CHESLEY COURT / MONTECITO APTS

Initiated by: Mayor, Community Development Department

Rec 12-06-1984 / Exp 06-27-1986

12-12-1984 - GH & CD Committee report - Motion adopted to APPROVE comm rpt recommendation relative to HUD Sec 17 Rental Development Grant Program. Acceptance of Notification of Preliminary funding approval to be adopted.

12-14-1984 - Mayor's message concur in action of 12-12-1984

Ann Sewill, General Manager
Tricia Keane, Executive Officer

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

City of Los Angeles



Eric Garcetti, Mayor

LOS ANGELES HOUSING DEPARTMENT
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Tel: 213.808.8808
housing.lacity.org

May 9, 2022

Re: CF 21-0600-S101 Motion No. 42 /
City administrative Officer / Los Angeles Housing
and Community Investment Dept / Hillside Villa.
LAHD HCID Report 05-09-2022 (Cedillo / de Leon)

Council File: 20-0600-S101
Council Districts: Citywide
Contact Persons: Timothy Elliott: (213) 808-8596
Daniel Huynh: (213) 808-8901

Hillside Villa

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: REPORT BACK FROM THE LOS ANGELES HOUSING DEPARTMENT REGARDING RESERVE FUND LOAN RECOMMENDATIONS TO INITIATE THE ACQUISITION OF HILLSIDE VILLA APARTMENTS

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully submits various recommendations relative to Council File No. 21-0600-S101 concerning a Reserve Fund loan for the purchase and preservation of Hillside Villa Apartments. At the September 13, 2021 Budget and Finance Committee meeting on this motion, the Los Angeles Housing Department (LAHD) received the following instructions:

1. Instruct the Housing Department, in consultation with the CAO and the City Attorney, to prepare and present recommendations within 30 days with potential funding sources, including limitations inherent to those sources, the sequence of actions required to acquire, possess, and transfer the property to an owner that will maintain affordability, and in what scenarios any of the current tenants may be displaced.
2. Instruct the Housing Department to include in its report any violations of the owner's affordability requirements, including failures to submit any mandatory reports to the City as a condition of its covenants, as well as any violations of the terms of their financing from public agencies.

LAHD has prepared recommendations to address aforementioned instructions.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:

- A. AUTHORIZE the General Manager of LAHD, or designee, to obtain an updated appraisal of Hillside Villa Apartments located at 636 North Hill Place, Los Angeles.
- B. AUTHORIZE the General Manager of LAHD, or designee, to make an offer to purchase Hillside Villa Apartments in the amount not to exceed the updated appraised value with customary conditions and due diligence reviews.
- C. Instruct the LAHD to report back to the Council and Mayor with a feasible financing plan prior to the release of all conditions and to request authority for a Reserve Fund Loan and/or commercial financing loan for the acquisition of Hillside Villa Apartments.
- D. AUTHORIZE the General Manager of LAHD, or designee, to enter into a Professional Services Agreement with the Housing Authority of the City of Los Angeles (HACLA) to assist with the acquisition and to conduct and pay for due diligence at commercially reasonable rates including appraisals, physical needs inspections, environmental site assessments (Phase I and II), Certified Access Specialist (CASp) inspection, and any other due diligence reports deemed necessary. Authorize the City Attorney’s Office to assist with conducting due diligence, by including applying for an order permitting entry and making a deposit for the same. Authorize LAHD to reimburse HACLA up to \$125,000 of the cost of the noted due diligence reports from the Affordable Housing Linkage Fee account.
- E. AUTHORIZE the General Manager of LAHD, or designee, to negotiate a Purchase and Sale Agreement with HACLA to acquire, rehabilitate and operate the property as covenanted affordable housing for 55 years. As part of the Agreement, HACLA will agree to provide rental vouchers and to issue bonds. Execution of the Agreement will be contingent upon securing site control of Hillside Villas, and upon approval of a recommendation to the Mayor and Council for a conditional commitment to provide a deferred payment, residual receipts loan with terms and conditions as set forth in the Council approved Affordable Housing Managed Pipeline guidelines; and.
- F. AUTHORIZE the General Manager of LAHD, or designee, to:
 - i. OBLIGATE Affordable Housing Linkage Fee (AHLF) funds for the project listed below for reimbursement of due diligence related costs:

Project Name	Fund No	Account	Amount
Hillside Villa Apartments	59T	43R724	\$125,000

BACKGROUND

Hillside Villa Apartments (“Project”) is a 124-unit apartment complex located at 636 North Hill Place completed in 1989. The Project had a former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) affordable housing covenant for 30 years. The Project has a California Housing Finance Agency Regulatory Agreement that expires in March 2024, and there are two additional CRA/LA loans totaling approximately \$5.5 million that mature on March 1, 2024. Once the regulatory agreement expires and the loan matures, the Project will no longer be required to maintain affordable rents.

At the September 13, 2021 Budget and Finance Committee meeting on Council Member Cedillo's Motion (C.F. No. 21-0600-S101) relative to amending the Budget and Finance Committee report on the Mayor's Proposed Budget for 2021-22 to instruct the CAO to present a Reserve Fund loan proposal to initiate the acquisition of Hillside Villa Apartments for the preservation of affordable housing, the committee instructed LAHD to report back on loan repayment terms and risks. Council also directed LAHD to get updated eligibility information on the Hillside tenants and report on any violations of the owner's affordability requirements.

To determine the loan repayment plan staff needed to know the current rents, current tenant incomes, projected rehabilitation costs, and eligible funding sources. New Capital LLC (NEW) was engaged to conduct a "census" of tenant's rent, household composition and income. This information was used to help determine if there are tenants that would be over-income or otherwise ineligible under proposed new regulatory agreements, and informed the assumptions for scenarios under which any of the current tenants may be displaced and the eligible basis and/or relocation expense. Based on the report provided, at least 85% of the current tenants report incomes of less than 80% of Area Median Income, and the units occupied by those eligible tenants could be financed with tax exempt bonds. We also obtained the current rents for each unit, and the potential eligible rents for tenants if additional Section 8 rental vouchers could be secured. Our financial advisor, Keyser Marston & Associates, prepared several scenarios considering various rehabilitation budgets and financing plans, and reported that if rental vouchers could be secured for the 88% of units that do not currently have vouchers, the acquisition and rehabilitation project could be feasible with a mix of tax exempt bonds, Low Income Housing Tax Credits, and a deferred payment subordinated loan from the City of Los Angeles's Affordable Housing Managed Pipeline preservation program.

A key variable that must still be confirmed is what the rehabilitation need would be to bring the project systems up to date and in good condition. The scope of rehabilitation would be assessed during the due diligence period. If the scope is within our financial advisor's conservative estimates, a loan repayment plan is feasible.

Another key issue is the availability of Section 8 rental vouchers. Although HACLA's ability to commit vouchers to specific projects is limited by the national cap of 30% of the portfolio, the cap does not apply to buildings owned by the housing authority. This capability, along with HACLA's extensive experience as a developer and operator of affordable housing and as a bond issuer, leads to the recommendation that HACLA be the designated subsequent purchaser and operator of the project if the City is successful in acquiring it. Initial discussions with HACLA indicate its support in performing this work, but its commitment is subject to board approval upon review of due diligence findings.

With the due diligence completed to date about rents and incomes, and the financial projections developed by Keyser Marston, we have concluded that a purchase at a fair market value, and the expected scope of rehabilitation work, will result in a total development cost that can be supported by a mix of tax exempt financing, Low Income Housing Tax Credits, and a loan from the City within our housing program guidelines. These sources would repay the City's acquisition loan in full when the tax credits and financing is secured.

REPORT ON VIOLATION OF AFFORDABILITY REQUIREMENTS

As of the time of the tenant census there did not appear to be violations of the affordability requirements. Eighteen (18) of the tenants or units were either vacant or did not report income or rent information, but the other units were in compliance.

SUMMARY

In the event that the Project can be acquired for the expected appraised value and if due diligence shows rehabilitation costs, income and operating expenses to be within projected ranges, the City's acquisition loan would be repaid in full when HACLA closes construction loans and commences rehabilitation. Repayment of the loan will come from capital proceeds including tax credits and a City loan from Affordable Housing Managed Pipeline (AHMP)/Preservation program within guidelines. LAHD will be required to return to Council for conditional approval of a permanent LAHD loan amount and approval of a financing plan prior to releasing purchase conditions.

FISCAL IMPACT

The proposed acquisition price would be paid with a loan from the General Fund Reserve, to be secured by the property and repaid at the earlier of four years or when all permanent financing is secured.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

B21F
002-DH

MOTION NUMBER 42
ADOPTED _____
NOT ADOPTED _____

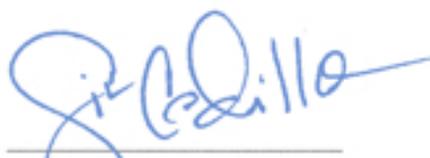
MOTION

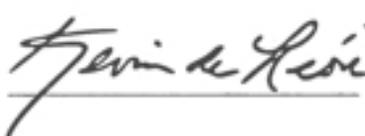
I MOVE that the Budget and Finance Committee report on the Mayor's Proposed Budget for 2021-22 be amended as follows:

- A. Instruct the City Administrative Officer to present for adoption on July 1, 2021 a Reserve Fund loan proposal of up to \$45,695,000 during Fiscal Year 2021-22 to initiate the acquisition of Hillside Villas, a 124-unit housing development located at 636 North Hill Place, for the preservation of affordable housing. The loan funds are anticipated to be repaid within two to five years by funding sources secured by a developer or nonprofit entity selected through a Request for Proposals process to take ownership and management of the affordable housing (C.F. 20-0148-S2);
- B. Instruct the Housing and Community Investment Department (HCID), with assistance from the City Attorney, to initiate the acquisition of Hillside Villa Apartments, including obtaining a California Environmental Quality Act review, with the offer subject to a contingency that the property will need a thorough inspection and an accessibility report by a licensed and Certified Accessibility Consultant;
- C. Direct the City Administrative Officer to report on a revised time frame for the reserve loan fund repayment if the City's purchase offer is accepted by the property owner; and
- D. Direct HCID to establish an expedited timeframe for the transfer of the property to a qualified owner/manager if the City's purchase offer is accepted by the property owner.

TOTAL CHANGE \$ -0-

Change such other affected totals, subtotals, summaries, scheduled or supporting data as are necessary to conform to modifications hereinabove made.

PRESENTED BY: 
GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY: 

**REFERRED TO THE BUDGET AND FINANCE COMMITTEE
(SEE COUNCIL FILE NO. 21-0600-S101)**

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 13, 2021

CAO File No. 0220-00540-1540

Council File No. 20-0148-S2

Council District: 1

To: The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer



Subject: **COUNCIL MOTION (C.F. 20-0148-S2): SOURCE OF FUNDING FOR \$45,695,000 TO INITIATE THE ACQUISITION OF THE HILLSIDE VILLA APARTMENTS, LOCATED AT 636 NORTH HILL PLACE, TO PRESERVE 124 AFFORDABLE UNITS**

SUMMARY

Motion (Cedillo-Buscaino [C.F. 20-0148-S2]) requests the City Administrative Officer, with the assistance of the City Attorney and the Housing and Community Investment Department (HCID), to identify \$45,695,000 in funds, subject to eligibility, in conjunction with State and Federal agencies if necessary, to initiate the acquisition of the Hillside Villa Apartments, located at 636 North Hill Place, Los Angeles, CA 90012 (property) in Council District One through the use of eminent domain, in order to preserve the property as affordable housing.

The Hillside Villa Apartments is a 124-unit apartment complex that was completed in 1989 and had a former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) affordable housing covenant for 30 years. The complex has 87 two-bedroom apartments, 20 three-bedroom apartments and 17 one-bedroom apartments. The property also has a California Housing Finance Agency Regulatory Agreement that expires in March 2024, and there are two additional CRA/LA loans totaling approximately \$5.5 million that mature on March 1, 2024. Once the regulatory agreement expires and the loan matures, the property will no longer be required to maintain affordable rents. This loss of affordable rents could displace the 124 households currently living in the property.

This Office and HCID reviewed all possible funding options for the acquisition of Hillside Villa Apartments. Unfortunately, none of the federal and state sources the City receives for housing are eligible for this purpose. The only option available is a Reserve Fund loan of \$45,695,000. The Reserve Fund loan would be used as the bridge funding until HCID selects a new owner/developer through a competitive Request for Proposals process and the new owner applies for and receives the acquisition/redevelopment funding to repay the loan.

It must be noted that the City has not made a Reserve Fund loan of this size in the past, and normally expects repayment of such loans in the same fiscal year. The repayment of this loan may take two to five years, depending on whether the property owner accepts the City's offer. According to the City Attorney, if the current owner does not accept the City's offer to purchase the property and the Mayor and Council approve proceeding with the eminent domain process, the funds would have to be deposited in a State account and must remain available throughout the eminent domain process. Moreover, this type of large Reserve Fund loan outstanding for an extended period could have a negative impact on the City's ability to respond to emergencies in the intervening years.

Potential sources of funds for the repayment of the Reserve Fund loan include a private loan and equity from the sale of Low Income Housing Tax Credits allocated by the California Tax Credit Allocation Committee (CTCAC). The HCID believes the property is an excellent candidate for the CTCAC preservation set-aside allocation. Depending on the financing sources available, at least two years would be required for a selected developer or nonprofit entity to secure funds to repay the Reserve Fund Loan for acquisition costs, as well as for additional project costs for the rehabilitation of units and the temporary and/or permanent relocation of existing tenants to meet the affordability and accessibility requirements of various funding sources.

Based on the projected Reserve Fund balance of \$696.1 million on July 1, 2021 in the Mayor's Fiscal Year 2021-22 Proposed Budget, which is still pending approval by the Council and Mayor, approval of a \$45,695,000 Reserve Fund Loan would result in a remaining Reserve Fund balance of \$650.4 million, or 8.87 percent of General Fund revenues. The remaining balance would be compliant with the City's Financial Policies because the Reserve Fund would be greater than five percent of the proposed General Fund budget of \$7.3 billion.

OPTIONS FOR THE CITY COUNCIL

1. The City Council may choose not to authorize a Reserve Fund loan of \$45,695,000; or
2. The Council may choose to approve a Reserve Fund Loan of \$45,695,000 to initiate the acquisition of the Hillside Villa Apartments, located at 636 North Hill Place, for the preservation of affordable housing, which will be repaid within approximately two to five years by funding sources secured by a developer or nonprofit entity selected through a Request for Proposals process to take over ownership and management of the affordable housing; or
3. The Council may approve a motion as part of the Fiscal Year 2021-22 Budget process to authorize the action outlined in # 2 above; and further take the following actions,
 - a. AUTHORIZE the Housing and Community Investment Department (HCID), with the assistance of the City Attorney, to initiate the acquisition of the Hillside Villa Apartments, including obtaining a California Environmental Quality Act review, with the offer subject to a contingency that the property will need a thorough inspection

and accessibility report by a licensed and Certified Accessibility Consultant;

- b. DIRECT the City Administrative Officer to report back on the revised timeframe for the reserve fund loan repayment if the City's purchase offer is accepted by the property owner; and,
- c. DIRECT the HCID to establish an expedited timeframe for the transfer of the property to a qualified owner/manager if the City's purchase offer is accepted by the property owner.

FISCAL IMPACT STATEMENT

There is no net impact to the General Fund. If the Council proposes a Reserve Fund loan of \$45,695,000 to initiate the acquisition of the Hillside Villa Apartments, it should be repaid within approximately two to five years by funding sources secured by a developer or nonprofit entity selected through a Request for Proposals process to take over ownership of the affordable housing.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

FINDINGS

1. SOURCES FOR LOAN REPAYMENT

The Housing and Community Investment Department (HCID) proposes a financial plan to repay the Reserve Fund Loan through other sources of funding secured by a developer or nonprofit entity selected through a Request for Proposals (RFP) process to take over ownership of the affordable housing. The other sources of funds include a private loan and equity from the sale of Low Income Housing Tax Credits (LIHTC) allocated by the California Tax Credit Allocation Committee (CTCAC). Information on additional costs to be considered and potential sources of funding in the financial plan are included in Section 3 below.

2. TIMING FOR LOAN REPAYMENT

Repayment of the Reserve Fund Loan would depend on the timeframe to complete the following: 1) the acquisition of the Hillside Villa Apartments through either a direct sale or through eminent domain; 2) the selection of a developer or nonprofit entity to take over ownership of the affordable housing through a RFP process; and 3) the accumulation of other sources of funds for the total cost to acquire and rehabilitate the Hillside Villa Apartments.

Direct Purchase or Eminent Domain Process

If the owner accepts the City's offer to purchase the property, the City would proceed with acquisition through a direct purchase. If the owner does not accept the City's offer, the Mayor and Council would have to approve the initiation of the eminent domain process when that matter is presented at a later date. The HCID transmittal dated June 12, 2020 (C.F. 20-0148) lists several steps necessary to utilize eminent domain to acquire the Hillside Villa Apartments that include the following: 1) provision of a written offer to purchase the property based on the fair market value as determined by an appraisal; 2) adoption of an Ordinance to initiate an eminent domain proceeding and requesting the City Attorney to file a complaint if negotiations with the current owner to acquire Hillside Villa Apartments fail; and 3) litigation resulting in a final judgment or settlement. This Office estimates that the acquisition of Hillside Villa Apartments could take two to five years, if the current owner does not accept the City's offer to purchase the property, but less than two years if the owner agrees with the City's offer. This Office will report back on the revised time frame if the City's offer is accepted.

Request for Proposals (RFP)

The HCID estimates that a RFP to select a developer or nonprofit entity to take over ownership of the Hillside Villa Apartments for affordable housing could take 120 days to complete. To expedite the repayment of the Reserve Fund loan, HCID could initiate a RFP process as soon as the actions in this report are approved, but should not make a final selection or enter into any agreements until the City has officially obtained the property through a successful purchase, judgment, or settlement.

Securing Funds for Loan Repayment

The HCID reports that it could take up to two years for the selected developer or nonprofit entity to secure all the necessary funds to repay the City for the acquisition of the property as well as to meet various requirements of potential funding sources. These requirements include minimum rehabilitation, compliance with accessibility regulations, relocation costs, and maintaining reserve funds for replacement, operating, and debt service. Some funding sources are acquired through a competitive process, such as Nine Percent LIHTC, which only has two funding rounds per year.

3. ADDITIONAL COSTS AND FINANCING PLAN

Table 1 below illustrates the various costs a selected developer or nonprofit would have to finance in addition to repaying the Reserve Fund Loan for the acquisition of the Hillside Villa Apartments. The HCID estimates a total cost of \$59,782,000 to acquire, rehabilitate, and adequately relocate existing tenants on a temporary or permanent basis to be compliant with funding and affordability requirements.

Table 1: Uses of Funds for Acquisition and Development

Uses	Estimated Amount
Acquisition Costs	\$45,695,000
Architectural Fees	315,000
Construction Interest and Fees	2,800,000
Permanent Financing Costs	447,600
Legal Fees	320,000
Soft Costs	2,500,000
Rehabilitation	5,440,000
Relocation	1,760,000
Replacement Reserve	43,400
Three-Month Operating Reserve	223,000
Debt Service Reserve	238,000
Total	\$59,782,000

Table 2 below shows HCID’s estimates for potential sources of funding for a developer or nonprofit entity to repay the Reserve Fund Loan for the City’s acquisition costs along with the other project costs. The funding sources consist of private debt such as a Federal Housing Association-insured first mortgage, equity raised from the sale of LIHTC allocated by the CTCAC, and public subsidies provided by HCID.

Table 2: Sources of Funds for Reserve Fund Loan Repayment and Development

Uses	Estimated Amount
Private Loan	\$22,400,000
Low Income Housing Tax Credits	25,000,000
Gap Financing with Public Subsidies	12,382,000
Total	\$59,782,000

At this time, HCID anticipates that the Affordable Housing Linkage Fee (AHLF) and HOME Investment Partnerships Program (HOME) could fund the \$12.4 gap financing identified in Table 2 above. HCID further recommends the use of these funds for this project if the City can determine a source for the bridge loan for the purchase price. The AHLF allocates funds for rental preservation in order to rehabilitate and preserve affordable housing. There is a cap per unit and per project loan amounts. The HOME funds are awarded on a competitive basis through HCID’s Affordable Housing Managed Pipeline (AHMP). Under the current Notice of Funding Availability for the AHMP, the maximum HCID loan available to any one project is the lesser of \$14 million or 50 percent of the Total Development Costs of the project based on final costs at the time of loan closing.

Given the number of two and three bedrooms in the complex and the estimated total cost per unit of \$482,113 (of which \$99,855 is the estimated cost per unit of City financing needed), it is more cost efficient to preserve this complex than to build a new project with 124 equivalent units.

4. OTHER SOURCES OF FUNDS

The HCID and this Office considered other sources of funding to initiate the acquisition of the Hillside Villa Apartments should the property be acquired through eminent domain but identified limitations and barriers for the uses of those funds. The HCID reports that the Community Development Block Grant funds cannot be used for the acquisition of property through eminent domain due to eligible use restrictions, and HOME funds are not allowed to sit in an escrow account. Only a flexible source of funding can be placed in escrow without regulatory limitations.

5. CONDITION OF THE PROPERTY

As part of the acquisition process, the HCID must complete a California Environmental Quality Act (CEQA) review. Additionally, the HCID would need to obtain additional information regarding the property including its compliance with government codes and regulations, including the American Disabilities Act, to provide a better estimate of potential project costs for rehabilitation and relocation. According to HCID, the acquisition of the property would be subject to a contingency that the property will need a thorough inspection and accessibility report by a licensed and Certified Accessibility Consultant.

6. POTENTIAL CHANGE IN ACQUISITION COSTS

The General Services Department conducted an appraisal that concluded with a Hypothetical

Market Value Upon Stabilization of \$45,695,000, effective as of September 1, 2020. If the current owner does not accept the City's offer and the Mayor and Council approve initiating the eminent domain process, the City may be required to conduct another appraisal that could result in a lower or higher market value for the Hillside Villa Apartments. Additionally, the current property owner could conduct an independent appraisal with a different result. If the City and current property owner cannot agree upon a price for the Hillside Villa Apartments after the owner does not accept the \$45,695,000 offer and the City has initiated the eminent domain process, a jury could decide that the property owner's independent appraisal is the appropriate price, which could be greater or lower than the current appraised value of \$45,695,000.

7. GENERAL FUND RESERVES

The Mayor's Fiscal Year 2021-22 Proposed Budget projects that the Reserve Fund will have a balance of \$696.1 million on July 1, 2021, or 9.49 percent of the proposed \$7.3 billion in estimated General Fund revenues for 21-22. Approval of a \$45,695,000 Reserve Fund Loan to initiate the acquisition of Hillside Villa Apartments would result in a remaining Reserve Fund balance of \$650.4 million, or 8.87 percent of General Fund revenues. The remaining balance would be compliant with the City's financial policies because the Reserve Fund would be greater than five percent of the General Fund budget.

RHL:EIC:02210143c

HOUSING
Hillside Villa

MOTION

The Hillside Villa Apartments is a 124-unit affordable housing development, located in the Chinatown neighborhood at 636 North Hill Place, Los Angeles, CA 90012. The apartments were constructed with loan assistance from the then Community Redevelopment Agency of Los Angeles. In exchange for loans totaling approximately \$5.5 million, a thirty year affordable housing covenant was negotiated with the property owner (Council File No. 19-0771).

The affordable housing covenant has since expired and approximately fifty-nine of the 124 units are to transition from being affordable housing units to market rate units. Dozens of families and senior citizens will be vulnerable to the existing high cost housing market in the City and Southern California region in which a two bedroom apartment rents for approximately \$2,500 a month.

The Housing and Community Investment Department previously reviewed the potential to acquire the Hillside Villas Apartments by eminent domain with the goal of preserving affordable housing for public use (Council File No. 20-0148). Subsequently, in September 2020, the Department of General Services commissioned an appraisal of the property that established a Hypothetical Market Value Fee at \$45,695,000.

On November 13, 2020, the City Administrative Officer (CAO) issued a report on the status of unallocated Coronavirus Relief Funds (CRF), which was provided to the City as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Council File No. 20-0147- S38). According to the CAO report, there is approximately \$43 million in unallocated CRF, as well as the potential of additional un-expended funds that were previously provided to City departments for public programs.

On November 24, 2020, a motion was introduced, requesting the City to allocate those unallocated funds to be used to support the acquisition of the Hillside Villa Apartments to avoid further housing displacement and homelessness for low-income families during the COVID-19 pandemic.

On December 2, 2020, the City Administrative Officer (CAO) issued a report stating that the funding source could not be used to support the acquisition of the Hillside Villa Apartments (Council File No. 20-0148-S1). According to the CAO Report, such acquisition is an ineligible use of CRF funds.

Now, more than ever, due to the COVID-19 pandemic, the livelihoods of the tenants of the Hillside Villa Apartments are in jeopardy. There is an incredible need to assist the many families that are facing eviction and mass displacement and ultimately homelessness, as rents are due to rise to market rate in February 2021.

I THEREFORE MOVE that the Council instruct the City Administrative Officer, with the assistance of the City Attorney, Housing and Community Investment Department, and any and all necessary City Departments, to seek and take all necessary actions to find \$45,695,000, subject to eligibility, in conjunction with State and Federal agencies if necessary, to initiate the acquisition of the Hillside Villa Apartments located at 636 North Hill Place Los Angeles, CA 90012, to be used for affordable public housing and to report back to the Housing Committee in 30 days on all relevant findings.

PRESENTED BY _____


GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY _____

JOE BUSCAINO (verbal)
Councilmember, 15th District

DEC 08 2020

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 2, 2020

CAO File No. 0220-00540-1512

Council File No. 20-0148-S1

Council District: 1

To: The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Subject: **COUNCIL MOTION (C.F. 20-0148-S1) TO ALLOCATE \$45,695,000 IN CORONAVIRUS RELIEF FUNDS TO INITIATE THE ACQUISITION OF THE HILLSIDE VILLA APARTMENTS, LOCATED AT 636 NORTH HILL PLACE, TO BE USED FOR AFFORDABLE PUBLIC HOUSING**

RECOMMENDATION

That the Council receive and file the Motion (Cedillo-Lee [C.F. 20-0148-S1]) introduced on November 24, 2020 relative to allocating \$45,695,000 in Coronavirus Relief Funds to initiate the acquisition of the Hillside Villa Apartments, located at 636 North Hill Place, to be used for affordable public housing.

SUMMARY

Motion (Cedillo-Lee [C.F. 20-0148-S1]) requests to allocate \$45,695,000 in Coronavirus Relief Funds (CRF), subject to eligibility, to initiate the acquisition of the Hillside Villa Apartments, located at 636 North Hill Place, Los Angeles, CA 90012 in Council District One through the use of eminent domain, in order for it to be used as affordable public housing. This Office recommends that the Council receive and file the Motion because the proposed use of CRF funds for this purpose is an ineligible use and the City cannot complete the property acquisition prior to the December 30, 2020 deadline for eligible expenditures.

The U.S. Department of the Treasury's (Treasury) Frequently Asked Questions document states that CRF eligible payments to acquire property is limited to that which is necessary due to the COVID-19 public health emergency. An example is Project Homekey, which will utilize CRF funds for the purchase of vacant hotels and motels to house the homeless in order to reduce the spread of COVID-19. It should also be noted that the original motion (C.F. 20-0148) related to the consideration of the proposed acquisition of the occupied property was introduced on January 31, 2020 and predates the COVID-19 public health emergency which started on March 1, 2020, and therefore, the acquisition is an ineligible use of CRF funds. The Treasury document also states that the property must be acquired and put to use in service of the COVID-19-related use for which it was acquired by December 30, 2020. A Housing and Community Investment Department transmittal dated June 12, 2020 (C.F. 20-0148) lists several

steps necessary to utilize eminent domain to acquire the Hillside Villa Apartments. Based on the steps described for this process, the City Attorney has opined that the City cannot complete the acquisition prior to the December 30, 2020 deadline.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund.

FINANCIAL POLICIES STATEMENT

The recommendation in this report complies with the City's Financial Policies.

RHL:EIC:02210076c

**AD HOC COMMITTEE ON COVID-19
RECOVERY AND NEIGHBORHOOD
INVESTMENT**

MOTION

The adverse impact of Covid 19 on the City's housing and homelessness crisis is unprecedented with hundreds of thousands of residents facing evictions and homelessness due to job loss and unemployment.

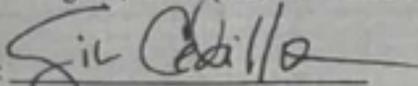
The Hillside Villa Apartments is a 124-unit affordable housing development, located in the Chinatown neighborhood at 636 North Hill Place, Los Angeles, CA 90012. The apartments were constructed with loan assistance from the then Community Redevelopment Agency of Los Angeles. In exchange for loans totaling approximately \$5.5 million, a thirty year affordable housing covenant was negotiated with the property owner (Council File No. 19-0771).

The affordable housing covenant has since expired and approximately fifty-nine of the 124- units units are to transition from being affordable housing units to market rate units. Dozens of families and senior citizens will be vulnerable to the existing high cost housing market in the City and Southern California region in which a two bedroom apartment rents for approximately \$2,500 a month.

The Housing and Community Investment Department previously reviewed the potential to acquire the Hillside Villas Apartments by eminent domain with the goal of preserving affordable housing for public use (Council File No. 20-0148). Subsequently, in September 2020, the Department of General Services commissioned an appraisal of the property that established a Hypothetical Market Value Leased Fee at \$45,695,000.

On November 13, 2020, the City Administrative Officer (CAO) issued a report on the status of unallocated Coronavirus Relief Funds (CRF), which was provided to the City as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Council File No. 20-0147- S38). According to the CAO report, there is approximately \$43 million in unallocated CRF, as well as the potential of additional unexpended funds that were previously provided to City departments for public programs. This funding source should be used to support the acquisition of the Hillside Villa Apartments to avoid further housing displacement and homelessness for low-income families during the COVID19 pandemic.

I THEREFORE MOVE that the Council instruct the City Administrative Officer, with the assistance of the City Attorney, Housing and Community Investment Department, and Department of General Services, to prepare and execute all necessary documents and take all necessary actions to allocate \$45,695,000 in Coronavirus Relief Funds, subject to eligibility, to initiate the acquisition of the Hillside Villa Apartments located at 636 North Hill Place, Los Angeles, CA 90012, to be used for affordable public housing.

PRESENTED BY: 

GILBERT A. CEDILLO (verbal)
Councilmember, 1st District

SECONDED BY: _____

JOHN S. LEE (verbal)
Councilmember, 12th District



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager



CF 20-0148 636 North Hill Place / Hillside Villa Apartments /
Chinatown / Affordable Housing Development / Covenant /
Eminent Domain (Cedillo / Harris-Dawson)
LAHD HCID Report 06-12-2020
Rec 01-31-2020 / Exp 06-26-2022

Housing Development Bureau
1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

June 12, 2020

Council File: 20-0148
Contact Persons: Danielle Thompson: (213) 808-8624
Timothy Elliot: (213) 808-8596
Edwin Gipson (213) 808-8597
Sean L. Spear (213) 808-8901

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: REPORT BACK FROM THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REGARDING VARIOUS PROPERTIES, INCLUDING HILLSIDE VILLA APARTMENTS AND GRAND PLAZA APARTMENTS IDENTIFIED IN COUNCIL DISTRICT 1, AND RECOMMENDATIONS FOR THE ACQUISITION OF HILLSIDE VILLA APARTMENTS THROUGH THE USE OF EMINENT DOMAIN TO PRESERVE AFFORDABLE HOUSING; AND ON THE REQUIRED PROCEDURES TO ACQUIRE THE PROPERTY

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to negotiate and enter into the new agreement under the terms outlined on the preservation of Grand Plaza Apartments, and submits this report summarizing research and recommendations on the acquisition of Hillside Villa Apartments by eminent domain.

On May 17, 2019, Councilmember Gilbert A. Cedillo, 1st District, and Councilmember Herb J. Wesson, Jr., 10th District, filed a motion (C.F. No. 19-0521) requesting information regarding affordable housing preservation efforts in the City. HCIDLA has released a separate report back in response to that request, which includes strategies to identify, prioritize, and pursue preservation opportunities; provides citywide data on affordable housing projects expiring through calendar year 2024; summarizes outreach and education initiatives to further preservation efforts in the City; and identifies costs and funding sources that can be accessed to preserve at-risk affordable projects.

On January 31, 2020, Councilmember Cedillo filed a motion (C.F. No. 20-0148) to explore using eminent domain to acquire properties with expiring covenants, including Hillside Villa Apartments. On March 27,

2020, an amending motion was filed, which instructed HCIDLA, with the assistance of the City Attorney, to report back on recommendations for the acquisition of Hillside Villa Apartments through the use of eminent domain to preserve affordable housing for public use.

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 of HCIDLA, or designee, subject to review and approval of the City Attorney as to form, to negotiate and enter into a new regulatory agreement with the legal owner(s) of Grand Plaza, located at 601 North Grand Avenue, under the terms outlined;
 - B. AUTHORIZE the General Manager of HCIDLA, or designee, to execute subordination agreements of the City's financial commitment, wherein the City loan and regulatory agreements are subordinated to their respective conventional or municipally funded loans, as required;
 - C. AUTHORIZE the General Manager of HCIDLA, or designee, to allow the transfer of the City's financial commitment to a limited partnership or other legal entity formed solely for the purpose of owning and operating the project in accordance with City and Federal requirements;
 - D. Authorize the General Manager of the HCIDLA, or designee, to negotiate and execute amendment documents related to the preservation of the affordability of Grand Plaza, subject to review and approval of the City Attorney.

BACKGROUND

Grand Plaza Apartments

HCIDLA is in receipt of a proposal from the owners of Grand Plaza to extend the affordability of the property. The proposal would protect all the existing tenants for life and restrict most of the turnover rents for 30 years. The owners are not asking for any subsidy; however, one of the business points proposed to offset this action is to increase the rent paid by the 103 tenants that are Section 8 voucher holders to current Voucher Payment Standards (VPS). Proposed terms are outlined as follows:

- New 30-year regulatory agreement (note: project has no loans since they were foreclosed upon in the early stages of project operations);
- 100% of the property shall be leased solely to senior residents aged 62 years and over;
- All in-place tenants will be protected with a lifetime rent adjustment cap, which limits annual rent increases to the percentage change in HUD's Area Median Income;
- Owner will agree to maintain the property with not less than 20% (61) of the units rented as low-income units at 50% AMI. In addition, Owner will agree to maintain the property with an additional number not less than 60% (242) of the units rented as moderate-income units at 80% AMI. The definition of low-income units shall follow the rent and income restrictions and computations used in IRC Section 42; and,
- The remaining 20% of the Units will become unrestricted (except for the requirement to maintain senior tenancy) upon natural turnover vacancy. The Housing Authority of the City of Los Angeles (HACLA)

has agreed to the rent increases to meet current payment standards, pending third party verification of a rent comparability check.

Hillside Villa Apartments

On February 27, 2020, a meeting was held with Councilmember Cedillo, including staff from CD 1, HCIDLA, and representatives from the City Attorney's office to discuss invoking the use of eminent domain for Hillside Villa Apartments. Subsequently, there was a confidential report directed to CD 1, authored by the City Attorney, which provided the lead discussion on the matter and included recommendations for the acquisition. In summary, per CD 1 Senior Planning Deputy Gerald Gubatan, the report opined that the City does have legal authority to invoke the use of eminent domain to preserve affordable housing for public use with just compensation.

It is the opinion of the City Attorney's office that exercising eminent domain for the purpose of providing affordable housing for public use is appropriate. Therefore, it is recommended that the City invoke the use eminent domain to acquire Hillside Villa Apartments in an effort to prevent the displacement of tenants.

Procedures to Acquire a Property Through Eminent Domain

Below is a brief outline of the steps and general timeline that would allow the City to acquire an affordable housing property for the purpose of public use.

1. Retain a qualified appraiser to determine Fair Market Value (FMV). In addition, a public entity must comply with California Environmental Quality Act (CEQA) and obtain CEQA compliance on the property.
2. Send the owners a written "Notice of Intent to Appraise".
3. Engage appraiser to perform appraisal; review and approve appraisal.
4. Provide a written offer to purchase the property for what it deemed to be "just compensation" based on the fair market value as determined by the appraisal.
5. If a voluntary agreement is reached, payment will be made at a mutually acceptable time; if rejected, negotiation will commence.
6. If no agreement is reached, a Notice of Intent to Adopt a Resolution of Necessity is sent.
7. Hearing on adoption of Resolution of Necessity (RON) Ordinance.
8. Case sent to City Attorney's office to file a complaint.
9. Meet and confer with owner and opposing attorney on possession and use agreement.
10. Deposit the fair market value of the property with either the Court or special condemnation fund established through the state.

11. File a Motion for Order for Prejudgment Possession.
12. Hearing on Motion for Order for Prejudgment Possession; obtain Order for Prejudgment Possession (OIP).
13. If motion unopposed, order may be granted; if motion opposed, motion may be granted if a specific set of additional findings are supported.
14. Coordinate service of OIP with Notice to Vacate, if applicable.
15. Continue negotiations to settle costs of litigation.
16. If unable to settle, a trial date will be set, which could take up to a year from the date of the complaint.
17. Exchange of respective lists of expert witnesses and statements of valuation data; the City makes a final written offer and owner makes a final written demand before trial.
18. Approval of City Council that case is settled; Judgment in Condemnation and a Final Order of Condemnation can be filed.

Possession of Property Before FMV is Determined

In conjunction with filing the eminent domain lawsuit, the City may file a motion for prejudgment possession, and state the reasons why the City would need immediate possession. The City would need to make a deposit of the fair market value of the property with either the Court or a special fund for condemnation that has been established through the state at that time. The City's preferred method is to deposit funds with the state.

Identification of Funds to Initiate a Real Estate Appraisal

In order to make an offer of just compensation, the City must obtain an appraisal of the real property to be acquired. The appraisal should be performed by someone with expertise in the area of eminent domain.

The cost of the appraisal is expected to cost upwards of \$25,000. It has not yet been determined which City department's funds will be used. However, potential sources include but are not limited to AB 1290 (state funds).

Eminent Domain Practices in King County, WA

In order to help provide guidance to the City in this decision, HCIDLA has researched King County Housing Authority's approach to eminent domain and the context in which it made those decisions.

Over the past two and half years, the King County, Washington Housing Authority (KCHA) has either acquired, or authorized the acquisition of, six affordable housing properties in its jurisdiction, totaling over 1,000 housing units (KCHA; Cornwell 2019). The housing affordability crisis in King County, which encompasses the City of Seattle, prompted these actions (Cornwell 2019). These purchases were made possible by a combination of private financing, bond issuance and funding commitments from the Washington state government.

In early 2019, Microsoft Corporation, a tech giant located in the Seattle area, pledged a \$500 million investment to address homelessness and housing affordability across the Puget Sound region (Coleman and Rosenberg 2019). Sixty million dollars of that commitment was loaned to the KCHA at a below-market rate to help fund the acquisition of five of those properties (Cornwell 2019). Additionally, KCHA issued bonds for two loans in September 2019 totaling \$210 million from a financial services firm called KeyBanc Capital Markets, Inc. (KCHA 2019). KCHA also individually issued bonds to Key Government Finance, Inc. for loans on three of the apartment complexes. Each of the loans equaled in principal the amount of the purchase of its respective property. In total, KCHA has purchased a few affordable housing properties that together cost nearly \$240 million. In selecting which properties to purchase, KCHA prioritized properties that are along a mass transit corridor to fulfill its goal of providing affordable housing near transit (KCHA 2018).

Additionally, KCHA is receiving an infusion of state revenues to help address its affordability challenges. In August 2019, the King County Council authorized the appropriation of \$100 million of state sales and use tax revenue over 20 years to go towards affordable housing in King County (King County 2019).

As described above, large amounts of private financial support have enabled King County, Washington to pursue a robust eminent domain strategy. There are operators in this market that have access to capital but need to satisfy the needs of their institutional investors. Currently, KCHA is the only governmental entity that is using eminent domain as part of its strategy to preserve affordable housing. Their efforts have proven to be successful with the backing of corporate influx of capital and investor support.

FISCAL IMPACT

There is no impact to the General Fund.

MOTION

HOUSING

Hillside Villa

The Hillside Villa Apartments is a 124-unit affordable housing development, located in the Chinatown neighborhood at 636 N. Hill Place, Los Angeles, CA 90012. The apartments were constructed with loan assistance from the then Community Redevelopment Agency of Los Angeles (CRALA). In exchange for the loans totaling approximately \$5.5 Million, a thirty year affordable housing covenant, was negotiated with the property owner (Council File No. 19-0771). The affordable housing covenant is soon to expire in September 2020.

Fifty-nine of the 124-units units are set to transition from being affordable housing units to market rate units when the covenant expires. Inasmuch as the property owner has indicated that he wishes to exercise his rights as to the expiring covenant, fifty-nine families will be vulnerable to the existing high cost housing market in the City and Southern California region where a two bedroom apartment rents for \$2,500 a month.

A possible policy solution to assist the many families impacted by the expiration of this housing covenant and others similarly situated, is to initiate *eminent domain* proceedings—a process that allows government agencies to take over land for public purposes, along with just monetary compensation to the property owner.

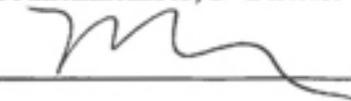
Charter Section 581 (e), authorizes the Board of Public Works to “*exercise the power of eminent domain, subject to Council authorization.*” As such, the Bureau of Engineering, with the assistance of the Housing & Community Investment Department, and in consultation with the City Attorney, need to report in 30 days with recommendations for the acquisition of private property located at 636 N. Hill Place, Los Angeles, CA 90012, and other similarly situated housing developments whose affordable housing covenants are now reaching an expiration date.

I THEREFORE MOVE that the Bureau of Engineering, with the assistance of the Housing and Community Investment Department, and in consultation with the City Attorney, be directed to report in 30 days with recommendations for the acquisition of private property located at 636 N. Hill Place, Los Angeles, CA 90012, and on the required procedures to acquire the property through eminent domain, and to report on the use of eminent domain to acquire other similarly situated housing developments whose affordable housing covenants are now reaching an expiration date, which would effectively remove affordability requirements, and allow the property owner to raise rents to market-rate.

PRESENTED BY:


GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY:




mm
JAN 31 2020

ORIGINAL

HOUSING

MOTION

Hillside Villa Apartments is a 124-unit affordable housing development located at 636 N. Hill Place (Property). In 1986, the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) provided loans totaling approximately \$5,445,300 for development of the Property.

In consideration for the loans, the Property was covenanted to provide affordable rental housing units for a period of 30 years to households with income at or below 120% of the Area Median Income. The required affordability period is set to expire. The City can preserve the affordable housing units by restructuring the debt and extending the affordability covenants on the Property.

I THEREFORE MOVE that the City Council direct the Housing and Community Investment Department to restructure the City's loan and extend the affordability covenants on the Property as follows:

- A. Modify the affordability covenants to extend the affordability period by 10 years;
- B. Modify the existing loans terms to write-off the loan principal and accrued interest over a period of six years;
- C. Work with the First Council District, Housing Authority of the City of Los Angeles, County of Los Angeles, and State of California to identify resources to provide rental assistance for the lower and moderate-income tenants residing at the Property during years 7-10 of the agreement; and
- D. Negotiate and execute loan amendments, covenant amendments, subordination agreements and other documents as necessary to complete the debt restructuring and preservation of the Property, subject to the review and approval of the City Attorney as to form.

PRESENTED BY



Gilbert Cedillo

Councilmember, First District

SECONDED BY



JUL 03 2019



ORIGINAL

HOUSING

MOTION

The City is at risk of losing thousands of affordable housing units through the impending expiration of regulatory covenants. Regulatory covenants are recorded on a property to ensure the long-term affordability of units, often in return for a public subsidy or density bonus. Many covenants are now reaching an expiration date, which would effectively remove affordability requirements, and allow an owner to raise rents to market-rate. There are numerous properties including Hillside Villa Apartments, Grandview Apartments and Grand Plaza Apartments, in Council District 1, where tenants need protection and assistance because of expiring affordable covenants. While residents of the Metro at Chinatown Senior Lofts were able to avert rent increases and displacement because of a subsidy agreement between two property owners, other tenants across the City need immediate solutions to resolve expiring affordable covenants and protection from potential rent increases and displacement.

Council District 1 is critically impacted by expiring covenants that may lead to the displacement of low income and senior households. HCID data indicates that from July 2016 – December 2021, 1,839 affordable units are at risk in CD1 alone, while 11,412 units are at risk citywide. This is unacceptable.

While it is critical that the City build more very low income to workforce housing, we must simultaneously preserve existing affordable housing. The City should continue to aggressively enforce local and state law, and prioritize eligible revenues for the preservation of housing. One source that can facilitate new preservation efforts is the new Linkage Fee, for which the City is still developing an Expenditure Plan.

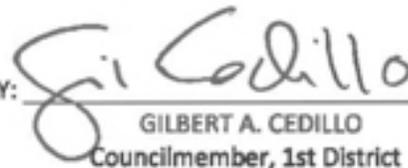
The Housing and Community Investment Department (HCID) should prioritize the development of a comprehensive and effective plan to deal with immediate and prospective conversions. The City must urgently develop and implement a plan that has immediate and long-term solutions to protect residents from rising rent increases. The plan should incorporate the most effective best practices from other cities, recommend strategies for negotiating extensions of expiring covenants, and halt or slow rent increases resulting from expiring covenants. Tenants deserve an immediate solution. HCID must treat this as the Housing Crisis it is.

In cases where extending the term for affordable covenants is not feasible, the City can play an active role in easing the transition for low-income residents. The City should consider services, possibly through the Family Source Centers or other initiatives, to reach at-risk households and facilitate education at least one year in advance of the covenant's expiration date so residents understand their rights and options. Residents should have information on other affordable housing opportunities, including rental and homeownership programs, relocation assistance, and rental assistance that will ensure displaced families have a safety net and can transition to new housing.

I THEREFORE MOVE that the City Council instruct the Housing and Community Investment Department to report immediately with actions to preserve expiring affordable housing covenants, recommendations to outreach and support residents that are at risk of displacement due to expiring covenants, identify the resources needed to implement the recommendations, and prioritize a preservation program with an identified funding source.

MAY 17 2019

PRESENTED BY:


GILBERT A. CEDILLO
Councilmember, 1st District

SECONDED BY:





ORIGINAL

Communication from Public

Name: Taiji Miyagawa
Date Submitted: 05/27/2022 09:57 AM
Council File No: 21-0600-S101

Comments for Public Posting: Los Angeles City Council, My name is Taiji Miyagawa. I am a member of the Steering Committee of Progressive Asian Network for Action (PANA), a resident of El Sereno and frequent visitor to Chinatown. I am writing today to express my strong support for the Hillside Villa Tenants' Association efforts to win safe, habitable, clean and secure housing. Please take action to authorize the Los Angeles Housing Department (CF 21-0600-S101) to use a reserve fund loan to preserve 124 units of affordable housing in Chinatown. This issue exemplifies Los Angeles' commitment to its residents and the legacy of our rich, multicultural history. Hillside Villa was built with public funds in 1988. A covenant guaranteed that they be affordable for 3 decades. However, ownership was taken by a slumlord in 2000 and quality of life for many of the decades-long residents and their families have not only declined, but their ability to keep a roof over their heads has been threatened because of bad practices by the owner, Tom Botz. Rents have been increased by 300%, threatening to push renters into a state of homelessness as the truly-affordable housing inventory in the City continues to be destroyed by unregulated development and abuse of the Ellis Act Law. The motion to use a reserve fund loan to purchase Hillside Villa Apartments to keep it permanently affordable was initially made over a year ago. It has the support of over 30 community groups, State Senator Maria Elena Durazo, and over 400 of LA City residents who have written and called in for public comment. Despite the outpouring of public support for this motion, the Budget and Finance Committee requested a report from LAHD instead of voting in September, 2021. That report, which finally became available two weeks ago, lays out a clear way forward for the city to purchase the building with a reserve fund loan, which can be paid back by transferring ownership to HACLA. In the year that the City has been deliberating on this topic, owner Tom Botz has collected hundreds of thousands of dollars in unfair rents through the Emergency Renters Assistant Program (ERAP) and Housing is Key program. He has bragged about getting money from HACLA at the same time as forcing renters at Hillside Villa pay an outrageously increasing percentage of their incomes to satisfy his greed. He has abused not only our local citizenry, but also the good graces of intention of public funding programs,

taking advantage of his tenants and of City, State, and Federal programs to enrich himself at taxpayer expense. Please vote YES on this motion. Let's fight rising homelessness by keeping people in their homes and countering the greed that is destroying our communities.

Communication from Public

Name: Elizabeth Blaney

Date Submitted: 05/27/2022 10:24 AM

Council File No: 21-0600-S101

Comments for Public Posting: My name is Elizabeth Blaney with Union de Vecinos and the LA Tenants Union. I ask the council to support providing funds for the purchase of Hillside Villa Apartments. Since the city alleges that it desires to reduce homeless and assist tenants, this is the perfect opportunity to show that you mean it. This purchase will keep over 125 families from exorbitant rents that will only force tenants to be displaced and contribute to a growing unhoused community. Vote to support the purchase of Hillside Villa!

Communication from Public

Name: Veronica solis
Date Submitted: 05/27/2022 06:32 PM
Council File No: 21-0600-S101
Comments for Public Posting: Los Angeles City Council, I am writing today to express my strong support for the Hillside Villa Tenants' Association. Please take action to authorize the Los Angeles Housing Department (CF 21-0600-S101) to use a reserve fund loan to preserve 124 units of affordable housing in Chinatown.