

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: October 31, 2016


CAO File No. 0220-00540-1209

Council File No. 12-0049-S5;  
12-0049-S9;  
12-0049-S10

Council District: Citywide

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Housing and Community Investment Department Transmittal dated October 17, 2016; Received by the City Administrative Officer on October 25, 2016; Additional Information Received through October 31, 2016.

Subject: **REQUEST FOR AUTHORITY TO SELECT DEVELOPERS FOR AFFORDABLE HOUSING PROJECTS AND AUTHORITY FOR VARIOUS ACTIONS RELATED TO THE DISPOSITION AND DEVELOPMENT OF CITY-OWNED PROPERTIES**

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### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt Recommendations A through F, and Recommendations H and J included in the related Housing and Community Investment Department (HCID) report dated October 17, 2016 (Report), to authorize the General Manager of HCID, or designee to:
  - a. Select developers for 13 affordable housing developments, as identified in HCID's Report;
  - b. Carry out various actions related to the disposition and development of City-owned properties, in conjunction with the Los Angeles Department of Transportation General Manager, or designee, and City Attorney; and,
  - c. Prepare Controller instructions for any necessary technical adjustments consistent with the Mayor and Council actions on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions;
2. Instruct the City's Conflict Counsel, Richards, Watson, and Gershon, upon the Los Angeles Community Redevelopment Agency Designated Local Authority's (CRA/LA-DA) approval of the Disposition Plan, to prepare a Purchase and Sale Agreement and related documents to effectuate the City's purchase of the Property from CRA/LA-DLA, for the property at 3685 S. Vermont Avenue for the fair to be determined by a third

party appraisal; and,

3. Instruct the General Manager of HCID, or designee, to report back to the Mayor and Council on efforts to obtain missing documentation for a former CRA/LA promissory note with Heritage Housing Partners totaling \$509,593, and collect an outstanding balance of \$264,347.76 for the property located at 5623-5633 Elmer Avenue, North Hollywood, prior to any consideration of a write-off.

## **SUMMARY**

The General Manager of the Los Angeles Housing and Community Investment Department (HCID) requests authority to: 1) execute Exclusive Negotiation Agreements (ENA) and/or Disposition and Development Agreements (DDA) with the selected developers from a Request for Qualifications/Proposals (RFQ/P) process for 13 City-owned properties; 2) execute required documents to purchase a City-optioned property from the Los Angeles Community Redevelopment Agency Designated Local Authority (CRA/LA-DA); and 3) write-off an existing unsecured loan in the amount of \$509,593 on the property at 5623-5633 Elmer Avenue, North Hollywood. This Office concurs with HCID's request to execute ENAs and/ DDAs with the selected developers, as well as documents to purchase a City-optioned property from the CRA/LA-DA. However, we recommend that HCID report back to the Mayor and Council on efforts to obtain missing documentation on a former CRA/LA loan with Heritage Housing Partners for \$509,593, and to collect an outstanding balance of \$264,347.76 for the property located at 5623-5633 Elmer Avenue.

### Request for Qualifications/Proposals (RFQ/P) Process

The Mayor and Council authorized HCID to follow its disposition and development plan to utilize City-owned land assets as potential sites for affordable housing developments in September 2015. On April 18, 2016, the HCID released a RFQ/P to select qualified developers with experience in affordable housing development to successfully carry out the entire development process from initial community engagement through project design, financing and finished development for 13 City-owned properties. The 13 properties consist of 10 sites formerly owned by the CRA/LA, one HCID acquired site, one parking lot and building managed by the Los Angeles Department of Transportation, and one site currently owned by the CRA/LA that has an existing executed City option to purchase agreement in place.

The Department released the RFQ/P on the Los Angeles Business Assistance Virtual network and sent over 1,000 email notifications to the developer and affordable housing developer community. The HCID received 36 development proposals by the submission deadline of July 6, 2016, but one did not meet the published RFQ/P requirements and was disqualified. A list of the 35 proposers is included in HCID's Report.

A total of 13 Scoring Teams, one for each of the RFQ/P properties, reviewed and scored the proposals from July through August 2016. The Scoring Teams consisted of over 50 affordable housing industry specialists including City and HCID staff members holding classifications that

include planning, finance, development, architecture, construction, and asset management. Each member of a Scoring Team reviewed the submitted proposals and scored the proposals independently before meeting as a group to tabulate consensus scores for the proposers. The HCID notified each proposer of their final score and the range of final scores of competing proposers on September 7, 2016.

The HCID conducted an appeals process in September 2016. The Department convened an Appeals Committee consisting of senior management staff holding professional-level positions in housing finance and asset management from HCID and other city departments, who were not involved in the initial RFQ/P process. The Appeals Committee review concluded that the RFQ/P Scoring Teams applied a consistent and fair methodology for scoring all proposals. However, based on submitted appeal letters and a close review of points awarded to the proposers appealing the scoring process, the Appeals Committee recommended the addition of points to selected proposers. The HCID states that the Appeals Committee's scoring adjustments did not change the first place rankings for each property. The HCID's Report includes information on evaluation criteria, point allocation, and final scores for each of the proposers. The Department recommends selecting the proposers ranked in first place to be the developer of the respective property, and requests authority to execute ENAs and DDAs with these proposers.

#### Elmer Property Pre-Development Loan

The former CRA/LA provided a pre-development loan for \$509,563 to Heritage Housing Partners, the previous developer for 5623-5633 Elmer Avenue, but the development did not occur. While records of the unsecured loan were in the former CRA/LA's electronic database when the property was transferred to HCID after the dissolution of the CRA/LA, the HCID reports that the promissory note and loan agreement documents were not transferred. The CRA/LA database indicates that \$245,215.24 was never transferred to Heritage Housing Partners, but there remains an outstanding balance of \$264,347.76. The Department reports that it has not contacted Heritage Housing Partners, and it requested missing files from the CRA/LA in March 2016, but has not yet received anything. HCID staff report that it is still possible to try and collect the outstanding balance of \$264,347.76. Therefore, our Office recommends that HCID report back on efforts to obtain missing documentation and to collect the outstanding balance before the Council and Mayor consider writing off the unsecured loan.

#### Next Steps

According to the sample ENA attached to HCID's Report, the terms of a DDA and/or ground lease for a development site will be negotiated within a 360 day period, but HCID reports that negotiation could be completed sooner. If the result of the negotiations is to sell the property, then the City Attorney will need to draft an ordinance for the sale of property and Council approval is required. If the result of negotiations is a ground lease, then HCID reports that they will not return to Council before proceeding with the ground lease. After the DDA is executed, HCID intends to have the project enter the managed pipeline to search for project funding. The Department states that it will return to Council if financing for the project requires approval. Potential funding sources

for the projects include State tax exempt bonds, State tax credits, private financing, and the Affordable Housing Trust Fund, among others.

## **FISCAL IMPACT STATEMENT**

There will be no impact to the General Fund. If the Housing and Community Investment Department (HCID) is able to collect all, or a portion of, Heritage Housing Partners' outstanding balance of \$264,347.76 from an unsecured loan of \$509,563 from the former Los Angeles Community Redevelopment Agency, the funds will be deposited into Fund No. 55J, Low and Moderate Income Housing Fund. As an Affected Taxing Entity under the Dissolution Statute, the City will receive into the General Fund a portion of the sales proceeds as property tax income upon the future sale of 3685 South Vermont Avenue. The HCID does not know the amount of the property tax income at this time, and they are not included in the City's revenue projections. The recommendations in this report are in compliance with the City's Financial Policies in that there is no additional cost to the City, and no funding commitments are being made at this time. Potential project funding sources include State tax exempt bonds, State tax credits, private financing, and the Affordable Housing Trust Fund, among others.

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