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City of Los Angeles



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LOS ANGELES HOUSING DEPARTMENT

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November 2, 2021

Council File: NEW
Council District: 1, 10
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Honorable Members of the City Council
c/o City Clerk, City of Los Angeles
200 North Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR LOAN RESTRUCTURE FOR PROFESSIONAL HOUSING AND DEVELOPMENT APARTMENTS

SUMMARY

The Los Angeles Housing Department (“LAHD”) seeks authority to amend the loan agreements for Professional Housing Development Apartments, an affordable housing scattered site development (“Project”), owned and managed by Little Tokyo Services Center (“LTSC”). LTSC is seeking a refinance from United States Department of Housing and Urban Development (“HUD”), who will require that the City’s deed of trust be resubordinated and extended to a date that matures after the HUD deed of trust has matured (on or after November 28, 2063). The refinance will allow for the Project to receive financing to perform necessary repairs. Furthermore, the refinance will lower the interest rate of their existing loan, allowing the project to receive a cost savings that will generate cash flow to support deferred maintenance and assist in paying off their existing debts in a timely manner.

LTSC is also requesting for the City to restructure its loan terms to assist LTSC to have the ability to seek additional resources if necessary for further improvements. In exchange for an interest rate reduction of the City loan from 5% to 3%, LAHD will extend the affordability period for twenty additional years for very low income households from the expiration date of the regulatory agreement. Currently the City’s loan agreement matures on October 7, 2052 and the regulatory agreement expires on October 7, 2065. The amendments to the loan agreement and regulatory agreement (“Amendments”) will extend the terms to October 7, 2085 and will align loan requirements with current regulations.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute an amended loan agreement with Little Tokyo Services Center, subject to the review and approval by the City Attorney as to form, to amend the loans as follows:
 - i. Extend the term of the loan agreement to mature on or after October 7, 2085;
 - ii. Reduce the interest rate of the City loan from 5% to 3%;
 - iii. Modify loan definitions to allow for supportive services cost and related items;
 - iv. Modify the loan agreement for other technical adjustments;
 - B. AUTHORIZE the LAHD General Manager, or designee, to negotiate and execute an amended regulatory agreement to extend the affordability period to expire on or after October 7, 2085, and make other technical adjustments, if necessary.

BACKGROUND

Little Tokyo Service Center

Founded in 1979, LTSC aimed to provide housing and social services to the Little Tokyo community and the broader community in Southern California. Over the years, LTSC has continued to support low-income individuals and families by providing affordable housing units and a variety of social services, including case management, support for domestic violence survivors, life skills workshops, recreational activities, and other supportive services. LTSC prides themselves in revitalizing the communities they serve and empowering families and neighboring communities by providing supportive services to be stable and healthy.

Professional Housing and Development Apartments

Professional Housing and Development Apartments is an 83-unit scattered site project located at the following addresses:

Site #1 Address: 1020 S. Kingsley Dr., Los Angeles, CA 90006 [CD 10]

Site #2 Address: 1400 S. Kenmore Ave., Los Angeles, CA 90006 [CD 1]

Site #3 Address: 1401 S. Arlington Ave., Los Angeles, CA 90019 [CD 10]

Site #4 Address: 1745 W. 20th St., Los Angeles, CA 90007 [CD 1]

Site #5 Address: 1810 S. Magnolia Ave., Los Angeles, CA 90006 [CD 1]

Professional Housing and Development Apartments serves very low-income persons earning between 30% and 50% of the area median income. In addition, all residents receive supportive services provided by LTSC to assist the residents and the community by providing culturally-appropriate support that they need to overcome obstacles and improve their lives.

LAHD is requesting authority to extend the term of the loan agreement by thirty-three years from the original maturity date of October 7, 2052. The regulatory agreement, which expires on October 7, 2065, will also be extended by twenty years to be coterminous with the loan agreement. By extending the loan and regulatory agreement, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability, as well as improve the physical and financial health of the project. LAHD further requests to modify the loan definitions so that the appropriate expenses be accounted for in annual fiscal review. This will allow for supportive services coordination and case management fees to be included in the residual receipts calculation and permits that the services are being paid to complete these necessary services, which is consistent with our regulations.

FISCAL IMPACT

There is no impact to the General Fund.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department