

MEMORANDUM

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DATE: JANUARY 15, 2009 CT2000

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTY: DAVID RICCIHELLO, REGIONAL ADMINISTRATOR
LILLIAN BURKENHEIM, PROJECT MANAGER
JOHN LUJAN, SENIOR HOUSING FINANCE OFFICER

SUBJECT: SUBORDINATE THE CRA/LA DEED OF TRUST AND COVENANT AGREEMENT TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT DEED OF TRUST TO BE MADE BY VOLUNTEERS OF AMERICA OF LOS ANGELES FOR THE JAN CLAYTON CENTER LOCATED AT 4969 SUNSET BOULEVARD CITY CENTER DOWNTOWN REGION (CD 9)

LOAN COMMITTEE REVIEW: APPROVED DECEMBER 15, 2008

RECOMMENDATIONS

That the CRA/LA Board of Commissioners:

1. Adopt a Subordination Resolution making the finding that an economically feasible alternative of financing on substantially comparable terms but without subordination of the CRA/LA covenants and use restrictions is not reasonably available, and authorize execution of a Subordination Agreement to subordinate the CRA/LA's Deed of Trust, covenants and use restrictions to the construction and permanent loans provided for the project; and
2. Authorize the Chief Executive Officer or designee to execute a Leasing Priority Agreement, substantially in the form of Attachment "A", with Volunteers of America of Los Angeles to make referral units available to eligible former tenants of the Alexandria Hotel project on a priority basis.

SUMMARY

The recommended actions will authorize execution of a Subordination Agreement (the "Subordination Agreement") between the California Department of Housing and Community Development ("HCD"), Volunteers of America of Los Angeles ("VOA") and the CRA/LA to subordinate the affordability covenants and loan provided to VOA for the Jan Clayton Center ("JCC"), located at 4969 Sunset Blvd. ("Site") (Site Map, Attachment "B"), to the proposed EHAP Capital Development Loan from HCD in an amount not to exceed \$909,252. In addition, the actions will enable the CRA/LA to provide an available supply of referral units to eligible former Alexandria Hotel tenants on a priority basis.

Other than the CRA/LA loan in the amount of \$1,087,448.11 and affordability covenants, no other loans or covenants exist against the Site. The development budget for the renovations is \$2,777,472, which will be funded, in addition to the HCD loan, by the Federal Home Loan Bank Affordable Housing Program and other funds committed from a variety of sources. None of these additional funding sources will record a lien against the Site. VOA had the Site appraised in July 2008. The appraiser concludes that the fee simple market value of the Site as renovated per the plans and budget was \$2,945,000. The loan-to-value ratio with the CRA/LA loan and the proposed HCD loan will be 68%.

State law permits a redevelopment agency to subordinate its income and use restrictions to a lender's financing where an economically feasible alternative method of financing the project on substantially comparable terms and conditions is not available without subordination, and where the lender agrees to provide specific notice and cure provisions. Subordination of the CRA/LA housing covenants and use restrictions is required by HCD as a condition of funding its loan. Prior to agreeing to such subordination, the CRA/LA will require that the Subordination Agreement contains notice and cure provisions which reasonably protect the CRA/LA's covenant in the event of the Developer's default under any of the senior loans (Subordination Resolution, Attachment "C"). The CRA/LA loan, housing covenants and use restrictions may also be subordinated to those of the construction and permanent lenders where required.

RE

February 16, 2006 - Authorization to enter into an Agreement between the CRA/LA, the City of Los Angeles, Skid Row Development Corporation and Volunteers Of America in the City Center Redevelopment Project Area, Central Industrial Redevelopment Project Area and Council District Nine Corridors South Of The Santa Monica Freeway Recovery Redevelopment Project Area

June 13, 2007 – City Council approval of the above action

SOURCE OF FUNDS

No funds are required for the requested action.

PROGRAM AND BUDGET IMPACT

As no additional CRA/LA funds are required, approval of the recommended action will have no fiscal impact on the CRA/LA Budget or the City General Fund.

ENVIRONMENTAL REVIEW

The rehabilitation work is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article VII 1.a (1) of the CRA CEQA Guidelines.

BACKGROUND

VOA, a California nonprofit corporation, has owned and operated JCC since 1972. In 1990, CRA/LA approved an increase to its previous loan, for a new loan in the amount of \$715,700, to comply with Department of Building and Safety requirements. The CRA/LA loan was to be paid through residual receipts. In 2006, the CRA/LA approved the conversion of the loan from a residual receipts loan to a service repayment loan at 0% interest for a six year term. The CRA/LA loan principal is \$1,087,448.11.

VOA proposes to upgrade the Jan Clayton Center, a transitional housing facility for 52 homeless men and women in recovery from serious substance abuse disorders. Residents are not

required to make a cash contribution for their stay in the facility. The JCC program provides a range of supportive services to assist homeless persons to reintegrate into the social mainstream, including: substance abuse counseling, case management, housing referrals, employment assistance, food services and transportation assistance. HCD has approved a loan in the amount of \$909,252 to VOA for the purpose of paying for capital improvements (\$866,478 is for rehabilitation and \$42,774 is for administration) on the Site. The proposed upgrades will eliminate existing substandard conditions by creating handicap accessibility, and units and common areas will be upgraded. The HCD loan will be at 3% deferred interest for seven years and must have first lien position on the Site.

JCC will be vacated to facilitate the renovation and residents will be temporarily housed at VOA's Ballington Plaza apartments and Weingart Center Association building. It is expected that renovations will commence January 2009 and be completed by September 2009.

Cecilia V. Estolano
Chief Executive Officer

By

Glenn F. Wasserman
Chief Operating Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

Attachments:

Attachment A –Leasing Priority Agreement
Attachment B –Site Map
Attachment C – Subordination Resolution