

MEMORANDUM

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DATE: MARCH 7, 2011 EA1990

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR  
DAN RIOS, ASSISTANT PROJECT MANAGER  
ARMANDO PENA, SENIOR HOUSING FINANCE OFFICER

SUBJECT: **First and Evergreen.** Approval of Grant Agreement not to exceed \$2,100,000 to provide funds to East LA Community Corporation to pay for predevelopment and acquisition costs associated with purchase of property for a potential affordable multifamily housing project located at 2917-2937 East First Street in the Adelante Eastside Redevelopment Project Area EASTSIDE REGION (CD 14)

**RECOMMENDATIONS**

That the CRA/LA Board of Commissioners, subject to City Council approval:

1. Authorize the Chief Executive Officer (CEO) or designee to negotiate and execute a Grant Agreement with the East LA Community Corporation for an amount not to exceed \$2,100,000 of Adelante Eastside Low and Moderate Income Housing Funds in Budget Line Item Affordable Housing (Objective AE1990) to pay for acquisition and predevelopment costs associated with the future development of an affordable multifamily housing project to be located at 2917-2937 East First Street; and
2. Waive the CRA/LA Conditional Grant Policy provisions requiring repayment, a promissory note and 25% matching requirement.

That the CRA/LA Board of Commissioners:

3. Adopt a resolution finding that an economically feasible alternative method of financing the Project on substantially comparable terms without subordination of CRA/LA's deed of trust and affordability restrictions on the Project site is not reasonably available, and authorizing subordination of said deed and restrictions to conventional loans during both the construction and permanent phases of the Project.

**SUMMARY**

East LA Community Corporation ("ELACC"), a nonprofit community corporation based in Boyle Heights is requesting a grant in an amount not to exceed \$2,100,000 to pay for acquisition and

predevelopment costs associated with the acquisition of the site located 2917-2937 East First Street in Boyle Heights. The acquisition of the site will strengthen ELACC's ability to go forward to secure additional funding sources during the predevelopment phase necessary to complete a future multifamily affordable housing project on the site. It's anticipated that the project will have the ability to generate between 50-63 units, which will be targeted to families with incomes ranging from very low to moderate levels and with unit sizes to include 1, 2 and 3 bedroom units. CRA/LA will record an Agreement Containing Covenants restricting the rents for a 55-year term.

The acquisition cost of the site is approximately \$1,750,000 or \$64.00 per square foot. ELACC has ordered an appraisal, which will be provided to staff for review and approval when completed. The CRA/LA will only disburse acquisition funds in an amount up to the value established by an appraisal, which has been reviewed and approved by CRA/LA Real Estate Department staff in its independent judgment and discretion.

Approximately \$350,000 of Grant funds will be used to pay for acquisition closing costs and predevelopment costs. The projected Total Development Costs is \$22,212,784 or \$424,618 per unit. Anticipated funding sources include: Low Income Housing Tax Credits, the Los Angeles Community Redevelopment Agency, Los Angeles Housing Department, and the Federal Home Loan Bank's Affordable Housing Program.

The CRA/LA's Conditional Grant Policy includes grants for predevelopment and acquisition costs in excess of \$500,000 provided some type of service or performance repayment is provided, a promissory note and a 25% matching requirement. Staff is seeking a waiver of these requirements based on ELACC's long history of social services to lower income households in the community, their ongoing commitment to improving the community for the benefit of residents, and given that the property will be restricted for the development of affordable housing with 55-year covenants.

## **PREVIOUS ACTIONS**

Initial Action.

## **DISCUSSION & BACKGROUND**

### **Location**

The site is located in the Boyle Heights at 2935 East First Street and within the Adelante Eastside Redevelopment Project Area.

### **Grant Recipient**

The Developer is East LA Community Corporation, Inc., a California 501 (c) (3) non-profit community development corporation. The organization's Executive Director and President is Maria Cabildo. ELACC is a community-based housing and economic development organization established in 1996 to achieve comprehensive long-term community development in the greater East Los Angeles area.

ELACC seeks to improve the quality of life of the residents by developing affordable housing and by providing social services for the community residents it serves. Most of ELACC's portfolio consists of the affordable rental units are that are targeted to residents with incomes at

50% or below of Area Median Income ("AMI"). ELACC has completed over 12 housing developments comprising almost 400 units of affordable housing including multifamily rental and home ownership projects throughout the eastside area of Los Angeles and in adjacent areas of Los Angeles County. ELACC has three currently funded CRA projects in construction totaling 120 units.

ELACC plans to apply for federal low income housing tax credits during predevelopment and the other funding sources. Therefore a California limited partnership will be formed during the predevelopment phase to assume all the terms and obligations of all the secured funding sources needed to complete the project.

#### Selection Process

ELACC sent a letter to the CRA/LA requesting financial assistance to acquire and pay for predevelopment costs associated with the subject property.

#### Description and Project Context

East LA Community Corporation (ELACC) is proposing to develop affordable housing for low income families. The proposal is for a development of approximately 50–63 units above a one-story parking structure for the residents, a community room, laundry rooms, and outdoor play areas.

The site is located at northwest intersection of First Street and Evergreen Avenue in Boyle Heights. The addresses are 2917 – 2937 First Street. The property is composed of five parcels. The property is 27,000 sq. ft. and zoned C2-1. It is bordered by First Street to the south, Evergreen Avenue to the east, an alley to the north, and some small business to the west.

The units will be available to low income working families earning between 30% - 50% of the Area Median Income (AMI), adjusted for family size. The qualifying incomes would be between approximately \$15,120 for a 1-bedroom apartment for a household of two and \$34,025 for a 3-bedroom apartment for a household of 5 (based on May 2010 HCD Income Limits). CRA/LA will record an Agreement Containing Covenants restricting the rents for a 55-year term. Low Income Housing Tax Credits, the Los Angeles Community Redevelopment Agency, Los Angeles Housing Department, and AHP will provide the funding for this development

#### Community Benefits

The recommended grant will be used to provide much needed quality affordable housing to low income and moderate income families who are priced out of new market rate housing by creating improved living conditions for residents. The units to be developed will remain affordable to low, very low and moderate income households for at least 55 years.

The proposed development will provide benefits both for individuals as well as the community as a whole. The development will create a community that is diverse economically; provide opportunities for young families just starting out, many of whom may have grown up in the community, to live in Boyle Heights; help reduce traffic congestion by allowing low income workers to live closer to their jobs, and; reduce overcrowding caused when families "double up" to share high housing expenses.

Finally, this development will revitalize a deteriorated and blighted site of Boyle Heights located in a very visible and prominent located across from the Evergreen Cemetery.

The future project will be required to comply with all CRA/LA policies including Construction Careers Policy.

Staff anticipates that with the approval of this proposal, the projected affordability mix will be in compliance with the Adelante Eastside Redevelopment Project Area's 15% Inclusionary Housing Requirement and the statutory obligation to spend funds from the Low and Moderate Income Fund in proportion to need.

### Findings

The State Redevelopment Law was amended in 1989 (Section 33334.14) to allow subordination of income and use restrictions. The subordination is permitted when the CRA/LA makes a finding that an economically feasible alternative method of financing or refinancing without subordination is not reasonably available and when the CRA/LA obtains written commitments reasonably designed to protect the CRA/LA's investment in the event of default. Currently, no domestic lending institutions are willing to provide conventional financing without subordination of covenants, as well as CRA/LA loans and ground leases. 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 D).

### SOURCE OF FUNDS

Adelante Low and Moderate Income Housing Fund and Tax Exempt Bond Housing Series D.

### PROGRAM AND BUDGET IMPACT

The proposed action is consistent with the amended FY2011 Adelante Eastside Budget and Work Program. Following approval of this program, \$5,899,700 of 7,999,700 will remain for the Affordable Housing budget category.

There is no impact on the City's General Fund as a result of the recommended action.

### ENVIRONMENTAL REVIEW

The proposed property acquisition will be undertaken pursuant to State of California Environmental Quality Act (CEQA) Guidelines Section 15004(b)(2)(A), which allows agencies to enter into land acquisition agreements when the agency has conditioned the future use of the site on CEQA compliance. Future use of the property will be subject to subsequent environmental review pursuant to CEQA and Agency approval of the project.

**AUTHORITY GRANTED TO CEO OR DESIGNEE**

If the Grant Agreement is approved, the CRA/LA Chief Executive Officer or designee would be authorized to take such actions as may be necessary to carry out the Agreement, including, but not limited to, executing the CRA/LA Grant Documents.

Christine Essel  
Chief Executive Officer

By:



Calvin E. Hollis  
Chief Operating Officer  
Real Estate and Economic Development

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

- Attachment A: Location/Site Map
- Attachment B: Purchase and Sale Agreement
- Attachment C: Agreement Containing Covenants
- Attachment D: Subordination Resolution