

CRA/LA, A DESIGNATED LOCAL AUTHORITY  
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

M E M O R A N D U M

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C91400  
ROPS n/a

**DATE:** AUGUST 2, 2012

**TO:** GOVERNING BOARD

**FROM:** CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

**STAFF:** JENNY SCANLIN, SENIOR OPERATIONS OFFICER

**SUBJECT:** **CENTRAL AVENUE VILLAGE SQUARE – NON MONETARY ACTION.**  
Various actions related to the transfer of ownership and assignment and subordination of loan documents and affordability covenants for a loan in the approximate amount of \$5,262,818 in order to rehabilitate the Central Avenue Village Square project, consisting of 45-units of affordable housing located at 1060 E. 53<sup>rd</sup> Street in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area.  
(SD1; CD9)

**RECOMMENDATION**

That the Governing Board, adopt a Resolution, taking the following actions:

- A. Approving the transfer of ownership of the Central Avenue Village Square project ("Project") and related real property located at 1060 E. 53<sup>rd</sup> Street ("Property") (Site Map, Attachment A) from Central Avenue Square Ltd. to a new to-be-formed development entity controlled by Concerned Citizens of South Central Los Angeles ("Developer"), and authorizing the Chief Executive Officer ("CEO") or designee to take such actions as may be necessary to carry out approval of the transfer of the Project and Property, upon satisfaction of specified conditions;
- B. Authorizing the CEO or designee to execute an Assignment, Assumption and Modification Agreement ("Agreement") relating to the assignment of two existing loans in the approximate combined amount of \$5,262,818 (including accrued interest) and related loan documents (including affordability covenants) from Central Avenue Square Ltd. to the Developer and the modification of the loan documents and the affordability covenants to extend their terms and the final repayment date to 55 years after recordation of the Agreement, upon satisfaction of specified conditions; and
- C. Making the finding that an economically feasible alternative of financing on substantially comparable terms but without subordination of the CRA/LA affordability covenants is not reasonably available, and authorizing the CEO or designee to execute a Subordination Agreement subordinating the CRA/LA's Deed of Trust-and affordability covenants to the construction and permanent loans providing for the rehabilitation of the Project, upon satisfaction of specified conditions.

**SUMMARY**

The recommended actions will protect and enhance the long-term health and affordability of an existing affordable housing development located in Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area ("CD9 Project Area"), by allowing transfer of the Project and Property from the current owner, Central Avenue Square Ltd., to the Developer, and allowing for modifications to consolidate two existing loans into one and allow for assignment of that consolidated loan to the Developer to assist financing a significant and much-needed rehabilitation.

The Project is a 45-unit affordable multifamily housing development serving very low and low-income households located at the Property. It was developed in 1992 by Central Avenue Square Ltd., with a general partner of Concerned Citizens of South Central Los Angeles (CCSCLA). In 1991, The Community Redevelopment Agency of the City of Los Angeles, CA ("Former Agency") provided \$1,400,000 in acquisition and predevelopment funding for the Project, and in 1992 the Former Agency increased the loan and converted it to a construction and permanent loan and a small predevelopment loan for the Project, for a total investment of \$3,450,500. The Project also received a 9% Low-Income Housing Tax Credit allocation. The Project is almost twenty years old and in need of extensive interior and exterior rehabilitation. Central Avenue Square Ltd has proposed to sell the Project and Property to a soon-to-be formed limited partnership to be controlled by CCSCLA; and refinance the Project using tax-exempt bonds, 4% tax credits and a commercial loan; combine the two existing Former Agency loans into one loan; rehabilitate the Project; and provide property management and maintain the Project as affordable family housing.

The Project is subject to Former Agency affordability covenants that expire in 2023. The existing covenants require 16 units to be maintained at 60% AMI, and 17 units to be maintained for households at 50% AMI, and 12 units to be maintained at 35% AMI. The Developer is proposing an affordability mix that will maintain the same levels of affordability moving forward. As a condition to approving the transfer and new financing for the Project, the Developer will agree in the Agreement to extend the terms of the Former Agency's loan documents and the affordability covenants and the final repayment date (subject to additional underwriting which will be required at the time of application to CDLAC or TCAC) to 55 years after recordation of the Agreement (from 2023 to 2067 if rehabilitation occurs as currently anticipated). The proposed Agreement would be recorded at the time of the closing of the construction financing for the rehabilitation of the Project. Prior to consenting to the transfer of the Project and Property and consolidation, assignment and assumption of the loan documents/affordability covenants, the CRA/LA will require that the Developer shall have secured necessary financing for the rehabilitation of the Project and that the Developer comply with all CRA/LA and any Los Angeles Housing Department ("LAHD") relocation, prevailing wages and other policies regarding the rehabilitation, including, but not limited to, CRA/LA In-Place Rehabilitation Procedures or procedures established by LAHD. The Developer will also be required to comply with LAHD's policy on bond allocation with 4% Low Income Housing Tax Credits ("LIHTC") that are being re-syndicated.

The proposed rehabilitation includes extensive interior rehabilitation of all 45 units, including new cabinets and equipment in kitchens and bathrooms, fixing and replacing broken windows, doors, improving energy efficiency through replacement of all windows and lighting, patching holes in walls, painting units, installation of new flooring and window covering, and improving ADA conditions. Exterior work will include replacing the hot water boiler, installing new roofs, painting, landscaping, and upgrading the Project's security system. The total development costs for the purchase and rehabilitation of the Project are \$10,894,742.

Upon completion of the rehabilitation, the Project will maintain its 45 one- to five-bedroom units and the CRA/LA loan balance will be approximately \$5,262,818, consisting of \$3,384,157 in principal and \$1,878,661 in interest as of July 23, 2012. The Developer is still working on the full financing proposal for the rehabilitation of the Project but anticipates using tax credits and bonds as well as a conventional debt. If the Project rehabilitation is successful in receiving tax credits and bonds, the CRA/LA will execute the Agreement which will assign the loan with a loan balance that represents the total combined principal and accrued interest in the existing loans to the Project of \$5,262,818. The combined loan will continue to carry a 3% interest rate, and will be repaid from a pro-rata share of the Project's residual receipts during operations.

State law permits a redevelopment agency to subordinate its affordability covenants 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 affordability covenants will be required by the new construction and permanent lender(s). Prior to agreeing to conventional lender subordination, the CRA/LA will require that the Subordination Agreement contains notice and cure provisions which reasonably protect the CRA/LA's affordability covenants in the event of the Developer's default under any of the senior loans (Authorizing Resolution, Attachment B).

## **DISCUSSION & BACKGROUND**

### **Project Description**

The Project sits at the corner of Central Avenue and 53<sup>rd</sup> Street. There are six (6) one-bedroom, eighteen (18) two-bedroom and twelve (12) three-bedroom, six (6) four-bedroom and three (3) five-bedroom units. Three of the units are ADA compliant. The development offers 87 surface parking spaces.

### **The Developer**

The Developer will form a limited liability company or limited partnership to own and rehabilitate the Project, with Concerned Citizens of South Central Los Angeles acting as the manager or managing general partner.

### **Affordability Mix**

The existing CRA/LA loan agreement and covenants specify a mix of forty-five (45) one-, two-, three-, four- and five-bedroom units across the affordability spectrum at Very Low, Low, and Moderate Income levels of affordability, using the State of California's Housing and Community Development (HCD) definitions. One (1) market-rate manager's unit is included in the Project.

### **Implementation**

The Developer will ensure that prevailing wage requirements are adhered to. In addition, the Developer will be required to comply with all other applicable CRA/LA requirements, including, without limitation, Community Outreach, Affirmative Action and Equal Opportunity, Prevailing Wage, Living Wage, Responsible Contractor, Service Worker Retention, Equal Benefits, design guideline standards and insurance. The Developer will also be required to comply with any applicable policies of LAHD.

The Developer will select a contractor through a competitive bid process. Construction will begin immediately upon bond issuance and closing of construction loans, anticipated to be January 2013. Construction will be completed within eight (8) to twelve (12) months and will be conducted as an in-place rehabilitation. The Developer does not anticipate having to permanently relocate any tenants during this rehabilitation.

**SOURCE OF FUNDS**

The Loan proceeds are fully disbursed; no additional CRA/LA funds are required for this action. The loan was made using Bunker Hill Housing Trust Funds.

**ROPS AND ADMINISTRATIVE BUDGET IMPACT**

The existing loans constitute “housing assets” as defined in AB 1484 [Section 34176(e)] and are expected to be transferred to the housing successor (LAHD) shortly. LAHD has been advised of the proposed actions in this memorandum and concurs with the proposal for consolidation, assignment, assumption and modification of the CRA/LA’s existing loan documents and affordability covenants. As “housing assets” any loan repayment would not be allocated to the taxing entities, but would be made to the housing successor and be required to be used by the housing successor for affordable housing purposes. The proposed actions are consistent with the treatment of housing asset loan repayments under AB 1484.

**ENVIRONMENTAL REVIEW**

The project is categorically exempt from CEQA pursuant to Section 15301 (repair and maintenance of an existing structure).

Christine Essel  
Chief Executive Officer

By:



David Riccitiello  
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.

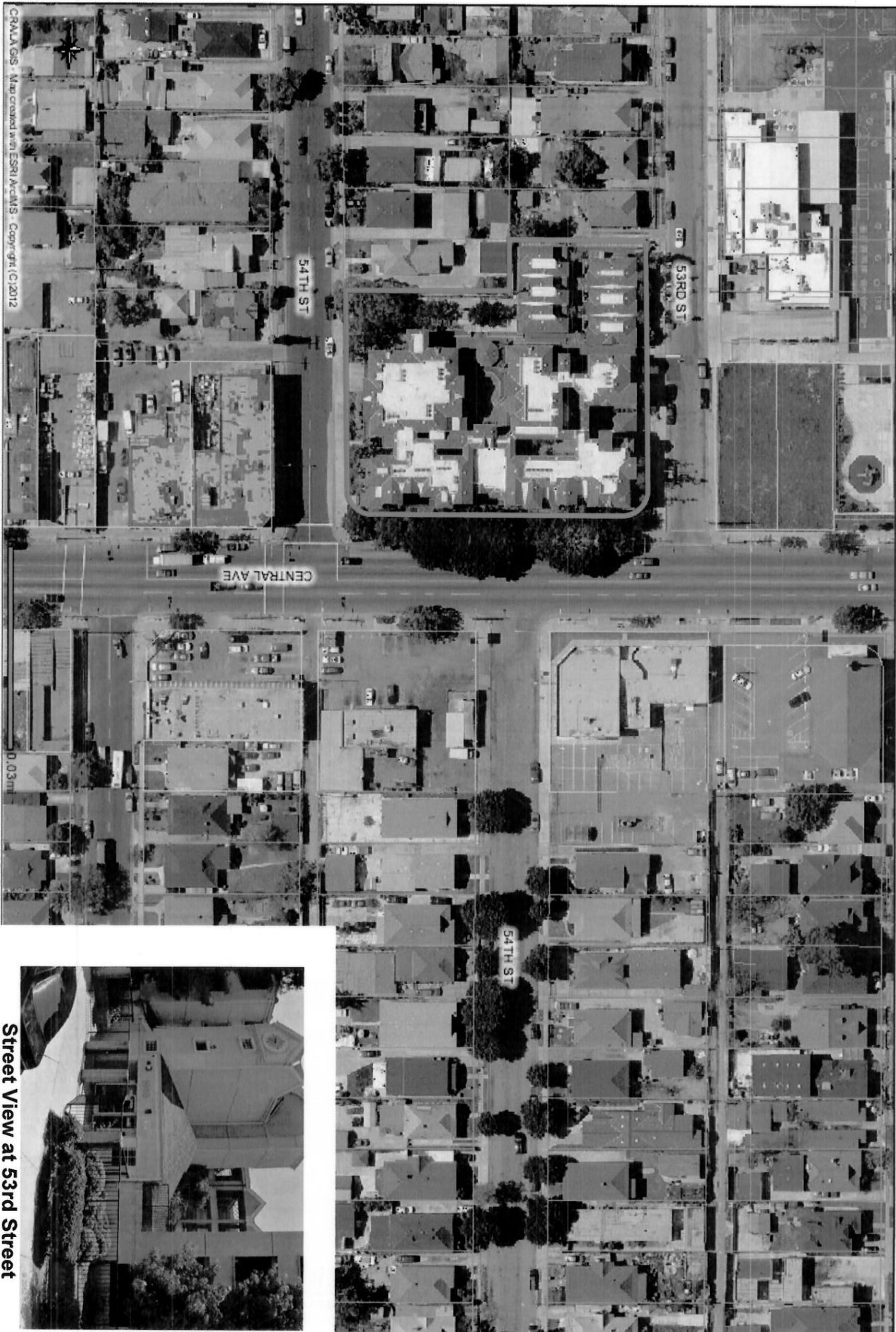
**ATTACHMENTS**

Attachment A: Location/Site Map  
Attachment B: Authorizing Resolution

Site Map

1060 E 53rd Street - Central Village Square

CRA/LA



Street View at 53rd Street

## ATTACHMENT B

### CRA/LA, A DESIGNATED LOCAL AUTHORITY

(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CRA/LA, A DESIGNATED LOCAL AUTHORITY AS SUCCESSOR TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, REGARDING THE CONDITIONAL TRANSFER TO A NEW DEVELOPER, ASSIGNMENT, ASSUMPTION AND MODIFICATION OF LOAN DOCUMENTS AND SUBORDINATION OF AFFORDABILITY RESTRICTIONS PURSUANT TO SECTION 33334.14 OF THE COMMUNITY REDEVELOPMENT LAW FOR THE CENTRAL AVENUE VILLAGE SQUARE PROJECT**

**WHEREAS**, the CRA/LA, a Designated Local Authority ("CRA/LA") and successor agency to The Community Redevelopment Agency of the City of Los Angeles, California ("Former Agency"), proposes to enter, upon satisfaction of certain conditions, into an Assignment, Assumption and Modification Agreement ("Agreement") with Central Avenue Village Square Preservation, LLC, a California limited liability company ("LLC"), the proposed successor to Central Avenue Village Square, Ltd, a California limited partnership ("Borrower"), to which the Former Agency has provided financial assistance for the purpose of developing 45 units of affordable rental housing for very low and low income persons or families or households (the "Project"); and

**WHEREAS**, the Former Agency previously loaned Borrower approximately \$5,262,818 (including accrued interest as of 7/23/12) for acquisition, predevelopment and development of the Project (the "Existing Loan"); and

**WHEREAS**, Borrower intends to transfer the Project and the real property on which the Project is located ("Property") and assign the Former Agency loan documents and affordability covenants related to the Existing Loan to the LLC; and

**WHEREAS**, it is proposed that the CRA/LA agree to enter into an Assignment, Assumption and Modification Agreement (the "Agreement") consenting to the transfer of the Property and Project to the LLC, the assignment and assumption of the loan documents and affordability covenants relating to the Existing Loan from Borrower to the LLC, and the modification of the loan documents and the affordability covenants to extend their terms and the final repayment date (subject to additional underwriting which will be required at the time of application to CDLAC or TCAC) to 55 years provided that the LLC secures new financing as detailed in the accompanying board memorandum and that the LLC complies with all relocation, prevailing wages and standard CRA/LA policies with regard to the rehabilitation of the Project; and

**WHEREAS**, future lenders for the proposed rehabilitation of the Project may require subordination of the Existing Loan documents and affordability covenants to their loans; and

**WHEREAS**, there has been presented to the CRA/LA evidence sufficient on which to find an economically feasible alternative method of financing the proposed rehabilitation of the Project on substantially comparable terms and conditions, but without subordination, is not reasonably available; and

**WHEREAS**, by board memorandum accompanying this Resolution and incorporated into this Resolution by this reference (the "Board Memorandum"), the CRA/LA has been provided with additional information upon which the findings and actions set forth in this Resolution are based.

**NOW, THEREFORE, THE CRA/LA, A DESIGNATED LOCAL AUTHORITY AND SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA DOES HEREBY RESOLVE AS FOLLOWS:**

1. That the CRA/LA hereby finds and determines that the above recitals are true and correct and have served as the basis, in part, for the findings and actions of the CRA/LA set forth below.
2. That the CRA/LA consents to the transfer of the Project and Property to the LLC, the assignment and assumption of the documents related to the Existing Loan to the LLC and the modification of the loan documents and the affordability covenants to extend their terms and the final repayment date (subject to additional underwriting which will be required at the time of application to CDLAC or TCAC) to 55 years from the date of recordation of the Agreement upon satisfaction of the following conditions:
  - a. The LLC secures new financing as detailed in the accompanying Board Memorandum;
  - b. The LLC complies with all relocation, prevailing wages and standard CRA/LA and Los Angeles Housing Department ("LAHD") policies with regard to the rehabilitation of the Project, including, but not limited to, CRA/LA In-Place Rehabilitation Procedures or procedures established by LAHD;
  - c. The LLC complies with LAHD policies with regard to a bond allocation with 4% Low Income Housing Tax Credits ("LIHTC") that are being re-syndicated; and
  - d. The CRA/LA and LLC enter into the Agreement as described in this Resolution and the Board Memorandum.
3. That the CRA/LA authorizes the Chief Executive Officer ("CEO") of the CRA/LA, or designee, to execute the Agreement in a form and content satisfactory to the CEO, or designee, and CRA/LA Legal Counsel upon satisfaction of the conditions listed in 2 above and take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution and the Agreement.
4. The CRA/LA hereby finds that an economically feasible alternative method of financing the rehabilitation of the Project on substantially comparable terms and conditions, but without subordination, is not reasonably available.
5. The CRA/LA hereby authorizes the CEO, or designee, to take such actions as may be necessary to subordinate the CRA/LA's affordability covenants, as modified, and deed of

trust related to the Project to the liens of the lenders providing financing for the rehabilitation of the Project, but only upon receipt by the CEO or designee of written commitments from such lenders, reasonably designated to protect the CRA/LA's investment in the event of default, including but not limited to the following:

- a. A right of the CRA/LA to cure a default on the loan;
- b. A right of the CRA/LA to negotiate with the lender after the notice of default from the lender;
- c. An agreement that if prior to foreclosure of the loan, the CRA/LA takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of transfer of title to the CRA/LA; and
- d. A right of the CRA/LA to purchase the property from the LLC at any time after default on the loan.

ADOPTED: \_\_\_\_\_