

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

3

C93230
ROPS#: n/a

DATE: JANUARY 17, 2013

TO: GOVERNING BOARD

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: JENNY SCANLIN, SENIOR OPERATIONS OFFICER
JOSH ROHMER, PROJECT MANAGER

SUBJECT: **UMMA SUBORDINATION AGREEMENT.** SUBORDINATION OF CRA/LA DEED OF TRUST TO A LINE OF CREDIT TO FACILITATE EXPANSION OF THE UNIVERSITY MUSLIM MEDICAL ASSOCIATION CLINIC FACILITIES IN AND ADJACENT TO THE COUNCIL DISTRICT NINE CORRIDORS SOUTH OF THE SANTA MONICA FREEWAY RECOVERY REDEVELOPMENT PROJECT AREA
(SD 2; CDs 8, 9)

INVESTMENT COMMITTEE: Approval December 17, 2012

RECOMMENDATION

That the Governing Board authorize the Chief Executive Officer or designee to execute agreements allowing the subordination of a CRA/LA Deed of Trust to a line of credit supporting expansion of the University Muslim Medical Association (UMMA) facilities at 711 West Florence Avenue and 7676 South San Pedro Street.

SUMMARY

The proposed action will support the expansion of two community health care clinics serving low-income families in South Los Angeles.

In September 2009, the Former Agency entered into a Disposition and Development Agreement (DDA) to convey property located at 711 West Florence Avenue to UMMA for operation of a community healthcare clinic. UMMA, a non-profit provider that offers primary healthcare services to low-income households, had previously leased the site from the City of Los Angeles General Services Department (GSD). The Former Agency acquired the site from GSD and transferred the property to UMMA at no cost, allowing UMMA to seek grant funding for improvements and an expansion of the facility and its capacity to provide services to the community. The obligations in the DDA are secured by a Deed of Trust and an Agreement Containing Covenants restricting the use of the property to health care services. The CRA/LA funding is repayable through the provision of primary health care services for ten years, measured in patient visits per year per, escalating on a schedule up to 10,385 annual patient visits.

The Former Agency approval and DDA provide for subordination of the Deed of Trust and Covenants to support an expansion of the facility, anticipating that such subordination would be required for UMMA to secure financing. UMMA planned and constructed the expansion on its

existing Florence Avenue site in 2011, funded by the American Recovery and Reinvestment Act, the Los Angeles County Public-Private Partnership, and over \$250,000 of UMMA's own funds. Having depleted a considerable amount of its reserve funds for the Florence Avenue expansion, UMMA is now seeking a \$300,000 bank line of credit to purchase equipment and furnishings for an additional location, located on the Fremont High School campus. Lenders' willingness to provide the line of credit is subject to CRA/LA's subordination of its existing first mortgage deed of trust. The line of credit will be used to purchase equipment and other capitalized items related to expansion, not for salaries, benefits or other operating costs. UMMA has consistently maintained a positive annual cash flow, and any balances drawn on the line of credit will be repaid (principal and interest) in monthly payments from cashflow.

UMMA is in good standing with respect to the DDA, having successfully completed the anticipated expansion project. UMMA consistently exceeds the service repayment provisions of the DDA, and is currently on track to serve an estimated 14,500 patients in 2012, exceeding the DDA's 2012 requirement of 8,885 patient visits. Staff believes that subordination to the proposed line of credit is consistent with the objectives of the DDA, and will allow UMMA Community Clinic to continue to meet the health-care needs of the South LA community, without unduly jeopardizing CRA/LA's security interest in the property.

PREVIOUS ACTIONS

February 19, 2009 – Former Agency Board of Commissioners public hearing and approval of acquisition of 711 West Florence Avenue and execution of Disposition and Development Agreements with UMMA to operate a community health care clinic. Subsequent Council approval on June 5, 2009 (CF #09-0757).

DISCUSSION & BACKGROUND

Developer and Project

Founded in the aftermath of the 1992 civil unrest, University Muslim Medical Association (UMMA) is a nonprofit organization that offers affordable primary health care on a sliding-scale fee basis to uninsured low-income residents of the City of Los Angeles. Originally housed in a mobile van, in 1994 UMMA moved into a 2,920 square foot facility at 711 West Florence Avenue, leasing the property from the City of Los Angeles General Services Department (GSD) for \$1 per year.

In 2009, the CRA/LA acquired the site from GSD for the appraised fair market value of \$800,000, and conveyed it to UMMA at no cost, in return for the provision of community medical services on site for 10 years. Following the conveyance of the site, UMMA began planning a much-needed expansion for the clinic facility. The expansion project of 1,078 square feet added a second hallway, five new exam rooms, a "vitals" room, a larger procedure room, and additional lobby and office space, adding new clinical capacity and improving the efficiency and quality of the original facilities. By including new office space, UMMA was able to remove a portable trailer from the parking lot, which previously had served as the office and occupied much needed parking spaces.

The Affordable Care Act and resulting health care reform compel UMMA to expand further to serve more patients in South Los Angeles. In 2013 UMMA will open the Fremont Wellness Center at nearby Fremont High School in collaboration with the Los Angeles Unified School District (LAUSD). The 2,500 square foot Fremont clinic will provide a broad range of primary and preventative care services including prenatal care, mental health, and substance abuse services. The facility will feature a 1.5 acre community garden being developed by the Los

Angeles Neighborhood Land Trust to promote healthy living for the students and help address the area's health disparities. Construction funding for the Fremont clinic and community garden is provided by LAUSD, Los Angeles County, the California Endowment, and L.A. Care Health Plan.

Beginning in 2013, UMMA's Board of Directors will launch a strategic planning process to determine service expansion plans in 2014 and beyond.

Need for the Line of Credit

UMMA's recent and current expansion projects at the Florence Avenue clinic and the new Fremont clinic have been funded with grants from various public and charitable sources, and have not required bank financing. However, UMMA has expended a considerable amount of its operating reserve in the Florence expansion. The proposed line of credit will provide UMMA the capital necessary to equip and furnish the Fremont location. UMMA will use the line of credit funds to purchase equipment and other capitalized items, not operating costs or salaries. UMMA currently has and has had for many years a positive cash flow, from which balances will be repaid. After reviewing UMMA's 2012 current operating budget, and 2013's operating budget for both the Florence and Fremont facilities, staff is confident that they will be able to repay the line of credit.

The Florence expansion project has allowed UMMA to increase long-term financial sustainability. Increased square footage has allowed UMMA to add new patients and be proactive in improving the patient/payor mix. UMMA has prepared and is now implementing a business plan that includes outreach strategies for new patients, attracting managed-care patients to UMMA as well as enrolling more of current eligible patients in managed-care programs. This strategy helps UMMA maximize reimbursements and increase their ability to provide care for all patients, including the uninsured.

Performance on the DDA

The Former Agency's assistance to UMMA was meant to result in an expansion of the type and amount of services provided to the community. Toward that end, the service repayment requirements of the DDA established benchmarks for the number of annual patient visits to the Clinic. UMMA's performance has far surpassed the DDA requirements, as documented in the table below. In addition to exceeding the number of patient visits, UMMA has begun offering prenatal services, a critical need in the community. The Florence Clinic has also expanded their operating hours by adding an additional 8 hours of service on Mondays.

Year	Required Patient Visits	
	per DDA	Actual Visits
2009	N/A	10,157
2010	7,385	11,631
2011	8,135	12,588
2012	8,885	14,500 (projected)
2013	9,635	18,300 (projected)
2014-2019	10,385	N/A

Line of Credit

UMMA is currently in discussion with One West Bank for a line of credit with a \$300,000 limit and a three-year term. The interest rate is One West Bank's Prime Rate (currently 3.25%) plus 2%. UMMA is also pursuing alternative lenders to secure the most advantageous interest rate

and terms. Subordination of CRA/LA's First Trust Deed to a lender other than One West Bank will be with terms that are identical or more favorable to CRA/LA's interest, and is subject to the discretion of the Chief Executive Officer or his/her designee.

UMMA expects to draw approximately \$159,000 of the line to fund the purchase of equipment and furnishings for the Freemont clinic. UMMA will repay principal and interest on a monthly basis from cashflow. UMMA may draw on the remaining credit over the term of the credit line to fund similar start-up costs (equipment and furnishing) as other opportunities are identified to expand the types of services provided at the Freemont and Florence facilities to meet the needs of the population.

SOURCE OF FUNDS

No new CRA/LA funds are required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The UMMA DDA is not listed on ROPS, as no payments are scheduled.

ENVIRONMENTAL REVIEW

The continued operation of the UMMA clinic is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15378 (b)(2) of the CEQA Guidelines (continued operation of an existing facility involving only interior alterations).

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 – Site Map

