

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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DATE: JUNE 25, 2018

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER

SUBJECT: **REPLACEMENT HOUSING PLAN – CECIL HOTEL.** Approval of a Replacement Housing Plan for the Cecil Hotel located at 640 S. Main Street in the City Center Redevelopment Project Area.

RECOMMENDATION

That the Governing Board take the following actions:

1. Approve a Replacement Housing Plan for the Cecil Hotel, pursuant to the Wiggins Settlement Agreement and Development Guidelines and Controls for Residential Hotels in the City Center and Central Industrial Redevelopment Project Areas (the “Guidelines”); and
2. Authorize the Chief Executive Officer to execute an Agreement Containing Covenants Affecting Real Property, requiring specific affordability levels for the 301 single occupancy residential units at the Cecil Hotel for no less than 55 years.

SUMMARY

The recommended action will facilitate the proposed renovation of the Cecil Hotel (“Cecil”), which contains 299 hotel rooms and 301 single occupancy residential units (SRO). The 301 residential units are subject to the Guidelines. Consequently, CRA/LA’s approval of a Replacement Housing Plan is required prior to clearance and issuance of any building permits that would allow the renovation to proceed.

The replacement housing plan prepared by the developer, SB Hotel LA, LLC (“Developer”), proposes an in-place rehabilitation of the 301 residential units. Currently, there are 12 residents that would be impacted by the renovations. The Plan details how tenants in affected units would be temporarily relocated within the building to an available unit during the renovation process. Should a tenant need to be relocated off property, the Developer is required to pay for relocation assistance, with the tenant having the right to return to the Cecil at the same rental rates as charged at the time of displacement.

The Developer has agreed to restrict the rent levels as follows:

<u>Area Median Income</u>	<u>Number of units</u>
30%	141
40%	100
50%	50
60%	10

In 2015, the Developer has entered into a 99-year lease with the property owner (i.e. 248 Haynes Hotel Associates, LLC) to renovate and operate the two components of the Cecil. As the Guidelines requires an affordability covenant to be recorded against the property and the Developer is not the property owner, the affordability covenant will be recorded against the leasehold interest. The affordability covenant would have a term of 55 years and has the support of the Wiggins plaintiffs.

DISCUSSION AND BACKGROUND

The Cecil Hotel, located at 640 S. Main Street in the City Center Project Area, was constructed in 1924. According to Los Angeles County records, the Cecil contains 600 units with an average of 266 square feet. The composition of the 600 units is 299 hostel/hotel rooms and 301 single residential units (SRO).

The Wiggins Settlement Agreement lists the Cecil as containing 600 SRO units. However, the City of Los Angeles previously approved the Cecil to operate as 301 SRO units and 299 hotel rooms. The Developer and Wiggins' Plaintiffs' representatives (i.e., Los Angeles Community Action Network or LA CAN) entered into a memorandum of understanding dated April 12, 2018 which among other things, acknowledges the 301 SRO unit count, and ensures that the rehabilitated SRO units will be made available to low income residents, and that the work will be performed subject to local hiring policies. This agreement among the parties is important to CRA/LA inasmuch as the unit count acknowledgment will not require any adjustment in reporting of the Base Count pursuant to the Settlement Agreement.

The SRO portion of the Hotel is subject to the Guidelines. The Guidelines stipulate that no permit for Demolition, Rehabilitation or Conversion of a Residential Hotel Unit(s) will be approved by CRA/LA, unless: the proposed new use is an Affordable Housing Project with recorded affordability covenants for not less than 55 years; or the Residential Units are replaced on a one-for-one basis pursuant to the methods set forth in the Guidelines; and a Replacement Housing Plan is approved by CRA/LA's Governing Board.

CRA/LA's clearance of a building permit for the Hotel's renovation is subject to approval of the Replacement Housing Plan and affordability covenant by the CRA/LA Governing Board. In its review of the Plan, CRA/LA staff has concluded that the Plan satisfies the provisions of the Guidelines, and recommends approval of the Plan by the Governing Board.

Per the Settlement Agreement, the Wiggins Plaintiff's representatives were provided copies of the Plan and 10 days' notice, in writing, of the scheduled Governing Board meeting.

SOURCE OF FUNDS

No funding is required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

There is no impact on the Successor Agency's administrative budget.

ENVIRONMENTAL REVIEW

The recommended actions do not constitute the approval of a "project" for purpose of the California Environmental Quality Act ("CEQA").



Steve Valenzuela
Chief Executive 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

- A - Replacement Housing Plan
- B - Agreement Containing Covenants Affecting Real Property

REPLACEMENT HOUSING PLAN

Cecil Hotel – Residential Units and Hotel

May 7, 2018

This Unified Replacement Housing Plan (the "**Replacement Plan**") sets forth the obligations of SB Hotel LA, LLC, a Delaware limited liability company, ("**SB Hotel**", "**Lessee**") the ground lessor of the property, located at 640 S. Main Street, Los Angeles, California, known as the "Cecil Hotel" (the "**Property**"). The owner of the Property is 248 Haynes Hotel Associates, LLC, a New Jersey limited liability company (the "**Owner**"). The Replacement Plan was prepared in discussion with CRA/LA, a Designated Local Authority ("**CRA/LA**"), and successor to The Community Redevelopment Agency of the City of Los Angeles, in satisfaction of (1) the Development Guidelines and Controls for Residential Hotels in the City Center and Central Industrial Redevelopment Project Areas (the "**Development Guidelines**"); and (2) the Wiggins Settlement Agreement for *Wiggins et al. v. Community Redevelopment Agency of the City of Los Angeles, City of Los Angeles, et al* (LASC BD276472) (the "**Wiggins Settlement**") with respect to the proposed conversion of the Cecil Hotel. This Plan is written in accordance with Section IV.B and VII of the Guidelines; and Section 2.A-2.c. of the Wiggins Settlement. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Development Guidelines.

I. Introduction

On February 7, 2016, SB Hotel entered into a 99 year lease for the Cecil Hotel, which was previously approved by the City of Los Angeles to operate as 301 residential units ("units") and 299 hotel rooms ("hotel rooms"). There are currently 12 residential tenants in the residential units, and the remaining residential units are vacant. Many of the residential units have been vacant for several years. The building is a City historic-cultural monument without any existing parking on-site.

All of the residential units and hotel rooms include sinks, but only some have showers and toilets. There are shared shower and bathroom facilities on each floor. However, not all of the facilities or units and rooms are ADA compliant. In addition, existing elevators are not ADA compliant and cannot be modified due to the existing shaft size. The mechanical, electrical and plumbing systems and fire life safety systems are not upgraded to support the number of units and hotel rooms.

SB Hotel desires to rehabilitate the Property, including without limitation, the refurbishment of 301 residential units, 299 hotel rooms, common spaces, meeting, dining, bar and lounge areas, retail and other space incidental to the Property's residential and hotel uses, including rooftop uses, as well as updating the Property with respect to life, fire and safety systems, including seismic, mechanical, electrical and plumbing (the "**Project**"). SB Hotel

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intends to apply for and obtain the necessary permits and approvals for the Project from the appropriate governmental authorities, including, without limitation, approvals from the CRA/LA, Los Angeles Department of City Planning ("**Planning**"), Los Angeles Department of Housing and Community Investment Development ("**HCID**") and other governmental authorities (collectively, the "**Entitlements**").

The Project will accomplish several significant goals including: (i) preserving and extending affordability for the 301 residential units, at affordability levels for households ranging from 30 percent to 60 percent of AMI. Additionally, long-term affordability covenants will be recorded and remain in effect for a period of not less than 55 years; (ii) retrofitting major building systems (e.g. roof, windows, mechanical, electrical, plumbing, seismic) to increase the physical lifetime and energy efficiency of the Property; (iii) adding amenities, such as common spaces; (iv) maintaining and preserving a local historic-cultural monument; and (v) accepting Section 8 vouchers from tenants of the rehabilitated residential units.

II. The Project

The Cecil Hotel is an existing residential hotel with 301 residential units and 299 hotel rooms located at 640 S. Main Street, Los Angeles, CA. SB hotel proposes to rehabilitate the Cecil Hotel into a building that maintains 301 residential units and 299 hotel rooms. Residential units will be refurbished and kitchenettes may be added. Hotel rooms will have individual bathrooms. The building's infrastructure, including MEP, fire life safety systems, and seismic will be upgraded to take into account the new occupancy. The building is a local cultural historic monument, and the Project will maintain and preserve the historic character defining features.

SB Hotel is refurbishing the existing 301 residential units, and pursuant to the Development Guidelines, will cause the 301 residential units to be replaced on-site by recordation of an affordability covenant, as specifically defined below. The Cecil Hotel will provide an increased quality of life for the residents by refurbishing units, improving common areas, and addressing major deficiencies. The Project will promote sustainable and healthy living and reduce operating costs by incorporating energy-efficient systems, abating all asbestos, and by the use of recycled and low-VOC materials where possible.

SB Hotel has secured or will secure all funding for the development of the Cecil Hotel through private funding sources. The Project does not rely on low income tax credits or other affordable housing sources to complete the renovation work.

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III. Description of Dwelling Units to be Refurbished

The refurbishment work at the Cecil Hotel will result in the removal of 301 units at rental rates which have not been determined, because 289 units are currently vacant and the rates had not been identified at the time of the Wiggins Settlement. SB Hotel has agreed to replace 291 units at Very Low and Very Very Low income levels.

The 301 units are all studio units ranging from 120 sf to 170 sf in floor area. All units have sinks, and a few units have showers and toilets. No units have kitchens or kitchenettes. There are shared shower and toilet facilities on every floor.

The 301 units will be replaced on site with affordable units as described below. The anticipated date of removal, subject to LADBS approval timeline, is June 2019 and the anticipated date of replacement is July 2021, due to a 24 month construction period.

Table

1

Replacement Housing Need

Project Address	# of Removed Units	# of Bedrooms	Avg. SF per unit	Very Very Low Income 30% or below AMI	Very Low Income 50% or below AMI	Low Income 60% or below AMI	Total Replaced on-site
Cecil Hotel 636-640 Main Street, Los Angeles CA,	301	0	140	141	150	10	301

IV. Replacement Housing Requirements

The Development Guidelines require that 100 percent of the replacement units shall be made available at or below the same affordability level of the destroyed or removed units. Therefore, the Project complies with the chart in Table 1. SB Hotel agrees to provide the following rent affordability levels for the 301 units for a period of not less than 55 years. At least 141 of the 301 units will be reserved for Very Very Low Income Households, in order to protect the most vulnerable individuals.

LA County AMI Levels	Number of Units
30%	141
40%	100
50%	50
60%	10

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Replacement Housing Project:

Project Address	# of Replacement Units	# of Bedrooms	Avg. SF per unit	Very Very Low Income 30% or below AMI	Very Low Income 50% or below AMI	Low Income 60% or below AMI	Total Eligible Replacement Units
Cecil Hotel 636-640 Main Street, Los Angeles CA, 90013	301	0	140	141	150	10	301

V. Leasing Restrictions

(1) Section 8. SB Hotel may not refuse individuals or households with federal Section 8 housing vouchers, or any equivalent similar local or state program, for any vacant Units, and that if Units at multiple affordability levels are vacant, the subsidy will be placed in higher affordability Units first. SB Hotel will not discriminate in any way in the selection of tenants based on a tenant being the recipient of a federal Section 8 Housing Voucher, including if the tenant’s ability to pay rent is based in part on the subsidy provided by the Section 8 Housing Voucher or any other similar program. Nothing herein is intended to limit SB Hotel's ability or right to utilize other types of affordable housing programs, or to rent to tenants meeting the requisite affordability levels with no program affiliation.

(2) Master Lease. SB Hotel may accept in its sole and absolute discretion a master lease of the 301 Units in the entire Property from such programs as Housing for Health. SB Hotel shall not use more than ten (10) Units for supportive housing administrative purposes if such a master lease exists.

(3) Lease Up and Marketing. Whenever a vacancy occurs, SB Hotel shall market the Units for rent up within the community at the following locations (not an exclusive list): New Image Emergency Shelter, Downtown Mental Health (LA County facility), People Concerned, Homeless Health Care Los Angeles, Downtown Women’s Center, Weingart Center Association, Los Angeles Mission, St. Vincent's Cardinal Manning Center, Midnight Mission, Union Rescue Mission, VA Outpatient Clinic, AIDS Project Los Angeles (APLA), Chrysalis and Department of

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Vocational Rehabilitation. This is waived if the developer master-leases the entire property to a program such as Housing for Health.

VII. Current Tenant Relocation

During construction, the current residential tenants with either be temporarily relocated to other units within the Cecil Hotel, or will be temporarily relocated off-site and be allowed to return to the Cecil Hotel after the completion of construction. SB Hotel will process a Tenant Habitability Plan with HCID to determine the conditions to protect the tenants, and will provide a copy of the draft Tenant Habitability Plan to CRA/LA and the Los Angeles Community Action Network ("LACAN") at the same time as or prior to submittal to HCID.

In addition, if the tenants will be relocated off-site, SB Hotel will prepare a Relocation Assistance Plan, as set forth in Section VIII of the Development Guidelines, for review and approval by the CRA/LA Governing Board.

SB Hotel agrees to preserve the rights of the current tenants in accordance with the Wiggins Settlement, the Los Angeles Tenant Habitability Program and associated regulations (Los Angeles Municipal Code § 152.00 et seq. and RAC Regulations Section 710.00 et seq.) (the "**Applicable Law**"), including, without limitation, providing current tenants with (i) relocation assistance as required by Applicable Law, and (ii) the right to return to the Property in accordance with the Applicable Law at the same rental rates charged at the time of displacement (subject to allowable increases under the Rent Stabilization Ordinance, Los Angeles Municipal Code § 151.00 et seq.) upon completion of the Project. SB Hotel shall abide by all applicable provisions of the Applicable Law.

SB Hotel has retained a relocation consultant that has been working with the existing tenants, and SB Hotel will continue to retain a relocation consultant during the construction and temporary relocation process. Nothing in this agreement shall prevent LACAN from assisting current tenants in obtaining relocation benefits or exercising their tenant rights, including their right to return upon completion of the Project.

VIII. Timing of Funding and Development for Cecil Hotel

SB Hotel will secure all financing from private entities and lenders. SB Hotel intends to secure the remaining financing in Summer 2018 after approval of this Replacement Plan. Construction is anticipated to take 24 months, and completion is anticipated by July 2021 with the goal of 100% occupancy by December 31, 2021. In the event of a delay in the

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commencement of construction, the construction completion will also be extended. However, SB Hotel will allow the existing tenants to remain until the commencement of construction, or as otherwise required through a Tenant Habitability Plan approved by HCID.

Attachment B

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103

Recording Requested by and When
Recorded Return to:

CRA/LA, A Designated Local Authority
448 S. Hill Street, Suite 1200
Los Angeles, California 90013
Attn: Chief Executive Officer

SPACE ABOVE THIS LINE FOR RECORDER'S USE

AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
(Cecil Hotel)

THIS AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY (the "Agreement") is entered into as of _____, 2018, by and among the CRA/LA, A Designated Local Authority ("CRA/LA"), as successor agency to The Community Redevelopment Agency of the City of Los Angeles, California, a public body, corporate and politic (the "Former Agency"), 248 Haynes Hotel Associates, LLC, a New Jersey limited liability company ("Owner") and SB Hotel LA, LLC, a Delaware limited liability company ("Lessee").

RECITALS

A. Owner is the owner of that certain real property located at 640 South Main Street, Los Angeles, California and legally described in the "Legal Description" attached hereto and incorporated herein as Attachment No. 1 (the "Property").

B. The Property is within the City Center Redevelopment Project Area (the "Project Area") and is subject to the provisions of the Redevelopment Plan for the Project Area adopted by the City Council of the City of Los Angeles, as amended.

C. The Property is currently improved with the "Cecil Hotel", containing two hundred ninety nine (299) hotel rooms and three hundred one (301) residential units.

D. As of the date hereof, the Property is subject to that certain Lease dated December 15, 2015 (the "Ground Lease") between Owner and Lessee, which Ground Lease is evidenced by that certain Memorandum of Lease recorded on _____, 201____, as Instrument No. _____, in the Official Records of Los Angeles County, California.

E. The intention is that this Agreement shall be binding upon Lessee and Lessee's successors and assigns, including, without limitation, any assignee of or successor to Lessee's interest in the Ground Lease, including, without limitation, any party that acquires Lessee's interest in the Ground Lease by way of foreclosure or assignment in lieu of foreclosure with respect to any financing obtained by Lessee or its successors or assigns secured by Lessee's leasehold interest.

F. As of the date hereof, the Property is subject to that certain Deed of Trust dated December 5, 2017 (the "Deed of Trust") between Owner as Trustor, Chicago Title Insurance as Trustee, for the benefit of JPMorgan Chase Bank, N.A. as Beneficiary, which Deed of Trust is evidenced by that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing recorded on December 6, 2017, as Instrument No. 20171411196, in the Official Records of Los Angeles County, California.

G. The Former Agency entered into that certain Settlement Agreement to settle the action entitled Jerome Wiggins, et al. v. Board of Directors of the Community Redevelopment Agency of the City of Los Angeles, et al. dated as of August 10, 2006.

H. Pursuant to the terms of the Settlement Agreement, the Former Agency considered and adopted the Development Guidelines and Controls for Residential Hotels in the City Center and Central Industrial Projects Areas ("Development Guidelines") as a means of preserving housing for those persons residing in single room occupancy hotels in downtown Los Angeles.

I. This Agreement is intended to restrict the Rent, as hereinafter defined, of the three hundred one (301) residential units in the Property and encumber only Lessee's leasehold interest in the Property.

NOW, THEREFORE, CRA/LA, OWNER AND LESSEE AGREE AS FOLLOWS:

1. Definitions.

The following terms have the meaning and content set forth in this section wherever used in this Agreement or the attached Attachments:

"Affordable Rent" shall mean monthly rent, including a reasonable utility allowance that does not exceed one-twelfth of the product of thirty percent (30%) times the appropriate Area Median Income for the Unit as specified in Section 2(b), which shall be adjusted annually.

"Area Median Income" shall have the meaning set forth in California Health and Safety Code Section 50093 for Los Angeles County, as amended from time-to-time.

"City" shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and its various departments.

"CRA/LA" shall mean CRA/LA, A Designated Local Authority, as successor agency to The Community Redevelopment Agency of the City of Los Angeles, California, a public body, corporate and politic.

“Lessee” shall mean SB Hotel LA, LLC, a Delaware limited liability company, and its successors and assigns.

“Owner” shall mean 248 Haynes Hotel Associates, LLC, a New Jersey limited liability company, and its successors and assigns.

“Parties” shall mean the CRA/LA, Owner and Lessee, collectively, and “Party” shall mean either the CRA/LA, Owner or Lessee.

“Project” shall mean the building containing three hundred one residential units located at the Property.

“Property” is defined in Recital A.

“Tenant” shall mean, at any time of determination thereof, all persons who together occupy a single Unit in the Project.

“Term of this Agreement” shall mean fifty-five (55) years from the date of recordation of this Agreement Containing Covenants.

“Unit” shall mean each of the three hundred one (301) residential units in the Project.

2. Agreement Regarding Use of Property.

(a) Use of Property. Lessee hereby covenants and agrees to use the three hundred one (301) Units in the Property only for residential rental uses during the Term of this Agreement.

(b) Rent Restrictions. Owner shall charge an Affordable Rent for each of the three hundred one Units during the Term of this Agreement based on the Area Median Income level for each Unit as designated below:.

<u>Area Median Income Percentage</u>	<u>Number of units</u>
30	141
40	100
50	50
60	10

(c) Section 8. Lessee may not refuse individuals or households with federal Section 8 housing vouchers, or any equivalent similar local or state program, for any vacant units, and that if units at multiple affordability levels are vacant, the subsidy will be placed in higher affordability units first. Lessee will not discriminate in any way in the selection of tenants based on a tenant being the recipient of a federal Section 8 Housing Voucher, including if the tenant’s ability to pay rent is based in part on the subsidy provided by the Section 8 Housing Voucher or any other similar program. Nothing herein is intended to limit Lessee’s ability or right to utilize other types of

affordable housing programs, or to rent to tenants meeting the requisite affordability levels with no program affiliation.

(d) Master Lease. Lessee may accept in its sole and absolute discretion a master lease of the 301 Units entire Property from such programs as Housing for Health. Lessee shall not use more than ten (10) Units for supportive housing administrative purposes if such a master lease exists.

(e) Lease Up and Marketing. Whenever a vacancy occurs, Lessee shall market the units for rent up within the community at the following locations (not an exclusive list): New Image Emergency Shelter, Downtown Mental Health (LA County facility), People Concerned, Homeless Health Care Los Angeles, Downtown Women's Center, Weingart Center Association, Los Angeles Mission, St. Vincent's Cardinal Manning Center, Midnight Mission, Union Rescue Mission, VA Outpatient Clinic, AIDS Project Los Angeles (APLA), Chrysalis and Department of Vocational Rehabilitation. This is waived if the developer master-leases the entire property to a program such as Housing for Health.

(f) Lease Up Criteria. Lessee shall put into place a leasing policy prohibiting the use of past criminal history if older than two years, or if a nonviolent offense as a factor in selection or exclusion of prospective tenants; and will not exclude prospective tenants based on prior "bad" credit or the tenants being listed on the unlawful detainer registry or a credit report.

(g) Inspection of Books and Records and of the Site. Owner shall maintain records which clearly document Owner's performance of its obligations pursuant to this Agreement. Owner shall submit any records to CRA/LA within ten (10) Business Days of written request.

(h) Maintenance, Operation and Management of Site. Owner shall maintain, operate and manage the Project in accordance with this Agreement for the Term of this Agreement.

3. Covenant Regarding Leasehold and Fee Interest.

(a) Lessee covenants that this Agreement shall be binding upon Lessee for the Term of this Agreement.

(b) The Parties agree that this Agreement shall not bind or apply to Owner or Owner's designee or successors or assigns of the fee interest in the Property except in the case of an Exception Event (as defined below). Notwithstanding anything in this Agreement to the contrary, this Agreement shall not diminish, limit or affect any of the Parties respective rights, responsibilities and obligations under the Guidelines.

As used herein, an "**Exception Event**" shall mean any event that causes the Ground Lease to be terminated, or the leasehold interest therein to be merged with the fee interest, in the Property as a result of (i) a purchase of the leasehold interest in the Ground Lease during the Term of this Agreement by the Owner, Owner's designee, successor or assigns of the fee interest in the Property; (ii) a purchase of the fee

interest in the Property during the Term of this Agreement by Lessee, its successors or assigns; (iii) the fee interest in the Property and leasehold interest in the Ground Lease being merged by reason of same being held by the same entity or person; (iv) affirmative acts of Owner and/or Lessee to cause the Ground Lease to be terminated in an effort to circumvent the obligations under this Agreement, whether through fraud, collusion, other bad acts, including without limitation, in the case the Ground Lease is terminated for any reason other than due to Lessee's uncured default under the Ground Lease after all applicable notice and cure periods, or a damage or condemnation event, in each case, upon which the Ground Lease expressly permits termination; or (v) in the event of a bankruptcy or reorganization related event.

4. No Discrimination.

(a) Owner covenants and agrees for itself, its successors and its assigns in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. All deeds, leases, or contracts for the sale, lease, sublease, or other transfer of the Site shall contain or be subject to the nondiscrimination or non-segregation clauses hereafter prescribed.

(b) Notwithstanding subdivision 3(a), above, with respect to familial status, subdivision (a) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in subdivision (a) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to subdivision (a).

5. Barriers to the Disabled.

(a) Compliance with all Accessibility Requirements. Owner shall comply with all applicable requirements of state, local and federal rules, laws and regulations relating to accessibility and reasonable accommodations for persons with disabilities, including, without limitation, the following to the extent any are applicable to the Project: Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 and implementing regulations at 24 CFR Part 8); the Americans with Disabilities Act (42 U.S.C. Sections 12131 *et seq.* and 12181 *et seq.*, and implementing regulations at 28 CFR Parts 35 and 36); the Fair Housing Act (42 U.S.C. Section 3601 *et seq.*, and implementing regulations at 24 CFR Part 100); the Fair Employment and Housing Act (California Government Code Section 12926); and Title 24 of the California Building Code. Without limiting the generality of the foregoing,

Owner shall ensure that construction plans submitted for review by the City and/or CRA/LA comply with all applicable requirements of law and that Project construction is carried out in conformity with approved plans.

(b) ADA Certification. Owner hereby certifies as follows:

(i) Owner is in compliance with and shall continue to comply with the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. and its implementing regulations.

(ii) Owner shall provide for reasonable accommodations to allow qualified individuals with disabilities to have access to and participate in its programs, services and activities in accordance with the provisions of the Americans with Disabilities Act.

(iii) Owner shall not discriminate against persons with disabilities nor against persons due to their relationship or association with a person with a disability.

(iv) Owner shall require that the language of this Section 5 be included in the award documents for all sub-awards at all tiers (including subcontracts, and contracts under grants, loans and cooperative agreements) and that all subcontractors shall certify and disclose accordingly.

The certification set forth in this Section is a material representation of fact upon which reliance was placed when the Parties entered into this transaction.

6. Maintenance.

Owner, its successors and assigns, shall maintain the Improvements on the Property (including all buildings, public spaces, walkways, driveways, parking areas and landscaping), in a decent, safe, sanitary and habitable condition and in good repair and working order, which shall be at least the same (or better) aesthetic condition as the condition of the Property at the City issues a Certificate of Occupancy for the Property, reasonable wear and tear excepted.

7. Rights of Lenders; Subordination.

No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the lien or charge of any deed of trust or other encumbrance on the Property.

8. Term of this Agreement.

Every covenant and condition and restriction contained in this Agreement shall remain in effect for the Term of this Agreement; provided, however, that the Term of this Agreement shall be extended automatically for a period of time equal to any period of documented and continuous noncompliance with the terms of this Agreement by Lessee.

9. Notice and Opportunity to Cure.

Prior to exercising any remedies hereunder, CRA/LA shall give Lessee notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Lessee shall have such period to effect a cure prior to exercise of remedies by CRA/LA.

If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Lessee (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Lessee shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by CRA/LA.

10. Remedies.

If a violation of any of the covenants or provisions of this Agreement remains uncured after the time period set forth in Section 9, above, CRA/LA and its successors and assigns, may institute and prosecute any proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by Lessee of its obligations hereunder. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

11. Non-Liability of Officials, Employees and Agents.

The CRA/LA's governing board members, officers, employees and agents shall not be personally liable to Owner or any other person for any obligation created under the terms of this Agreement.

12. Indemnity.

Notwithstanding any insurance coverage, Lessee shall indemnify, defend and hold CRA/LA and its governing board members, officers, employees and agents (the "Indemnitees") harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs and legal or other expenses (including reasonable attorneys' fees and costs) which the Indemnitees may incur as a direct or indirect result of Lessee's failure to perform any obligations as and when required by this Agreement. Lessee shall pay immediately upon demand, any amounts owing under this Indemnity. The duty of Lessee to indemnify includes the duty to defend the Indemnitees in any court action, administrative action or other proceeding brought by any third party arising from this Agreement. The Indemnitees may make all reasonable decisions with respect to its/their representation in any legal proceeding, including but not limited to selection of counsel. Lessee's duty to indemnify shall survive the expiration of the term of this Agreement.

13. Third Party Beneficiary.

Los Angeles Community Action Network is an express third party beneficiary of this Agreement.

14. Construction and Interpretation of Agreement.

(a) The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any Party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each Party has been given the opportunity to independently review this Agreement with legal counsel, and that each Party has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the Party preparing it, and instead other rules of interpretation and construction shall be utilized.

(b) If any term or provision of this Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any Party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each other term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Agreement an enforceable clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible.

(c) Any titles of the articles, sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision.

(d) References in this instrument to this "Agreement" mean, refer to and include this instrument as well as any riders, exhibits, addenda and attachments hereto or other documents expressly incorporated by reference in this instrument. All of the Attachments appended to this Agreement are hereby incorporated herein by this reference as though fully set forth herein. Any references to any covenant, condition, obligation, and/or undertaking "herein," "hereunder," or "pursuant hereto" (or language of like import) shall mean, refer to, and include the covenants, obligations, and undertakings existing pursuant to this instrument and any riders, Attachments, addenda, and attachments or other documents affixed to or expressly incorporated by reference in this instrument.

(e) As used in this Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and vice versa.

(f) Time is of the essence in this Agreement.

15. Relationship of the Parties.

Nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, or any other similar relationship between the parties hereto or cause CRA/LA to be responsible in any way for the debts or obligations of Owner, Lessee or any other person.

16. Governing Law.

This Agreement shall be interpreted under and be governed by the laws of the State of California.

17. Binding Effect.

This Agreement, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

18. Notices.

Formal notices, demands, and communications between the CRA/LA and the Lessee shall be sufficiently given if, and shall not be deemed given unless dispatched by certified mail, return receipt requested, or by electronic facsimile transmission followed by delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), with a receipt showing date of delivery, to the principal offices of the CRA/LA and the Lessee:

CRA/LA: CRA/LA
448 So. Hill Street, Suite 1220
Los Angeles, CA 90013
Attn: Chief Executive Officer

:
Lessee: SB Hotel LA, LLC
757 Third Avenue, 17th Floor
New York, NY 10017

Owner: 248 Haynes Hotel Associates, LLC
871 Seventh Avenue
New York, NY 10019

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 17. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

19. Counterparts.

This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. The signature pages of one or more counterpart copies may be removed from such counterpart copies and all attached to the same copy of this Agreement, which, with all attached signature pages, shall be deemed to be an original Agreement.

Signatures Follow on Next Pages

IN WITNESS WHEREOF, the CRA/LA, Owner and Lessee have executed this Agreement as of the date set forth in the first paragraph, above.
CRA/LA:

CRA/LA, a Designated Local Authority,

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM:

GOLDFARB & LIPMAN LLP

By: _____

Thomas Webber
CRA/LA Special Counsel

SIGNATURES MUST BE NOTARIZED

Additional Signatures Follow on Next Page

Owner:

248 Haynes Hotel Associates, LLC, a New Jersey limited liability company

By: _____

Name: _____

Its: _____

Lessee:

SB Hotel LA, LLC, a Delaware limited liability company

By: _____

Name: _____

Its: _____

SIGNATURES MUST BE NOTARIZED

ATTACHMENT NO. 1

LEGAL DESCRIPTION

That leasehold interest in the certain real property located in the County of Los Angeles, State of California, described as follows: