



DATE / MAR 17 2005

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CRA File No. 4731  
Council District: 8  
Contact Person: Armando Pena  
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Honorable Council of the City of Los Angeles  
John Ferraro Council Chamber  
200 N. Spring Street  
Room 340, City Hall  
Los Angeles, CA 90012

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on March 17, 2005 for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

**VARIOUS ACTIONS RELATED TO:**

A LOAN INCREASE OF \$2,486,872 TO VERMONT SENIORS/EXPOSITION WEST SENIOR HOUSING PROJECT LOCATED AT 39<sup>TH</sup> STREET AND VERMONT AVENUE IN THE HOOVER EXPANSION REDEVELOPMENT PROJECT AREA (CD8) SOUTH LOS ANGELES REGION

**RECOMMENDATION**

That City Council approve recommendations on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

The recommended action does not constitute a "project" as defined by the California Environmental Quality Act ("CEQA").

**FISCAL IMPACT STATEMENT**

There is no fiscal impact to the City's General Fund, as a result of this action.

  
Robert R. Ovrom, Chief Executive Officer

cc: John White, Office of the City Clerk  
Lisa Johnson, Scott Eritano, Office of the CAO  
Paul Smith, Ivania Sobalvarro, Office of the CLA  
Renata Simril, Office of the Mayor  
Neil Blumenkopf, Office of the City Attorney



**CRA/LA**

*Building communities with jobs & housing*

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bcc: Robert R. Ovrom, C.E.O. (8<sup>th</sup> Floor)  
Richard Benbow, C.O.O. (8<sup>th</sup> Floor)  
Ricardo Noguera, Regional Administrator South Region (8<sup>th</sup> Floor)  
Ras Mallari (Accounting 5<sup>th</sup> Floor)  
Alma Acosta (8<sup>th</sup> Floor)  
Nenita Tan (Office of the City Controller; 3<sup>rd</sup> Floor)  
Records (2 copies – 5<sup>th</sup> Floor)

Jonathan Kevles, Regional Administrator (Watts Site Office)  
Armando Pena, Housing Finance Officer (7<sup>th</sup> Floor)

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA

MEMORANDUM

DATE: MARCH 17, 2005 HE1700

TO: BOARD OF COMMISSIONERS

FROM: ROBERT R. OVROM, CHIEF EXECUTIVE OFFICER

RESPONSIBLE: JONATHAN KEVLES, REGIONAL ADMINISTRATOR  
PARTIES: ARMANDO PENA, HOUSING FINANCE OFFICER

SUBJECT: VARIOUS ACTIONS RELATED TO A LOAN INCREASE OF \$2,486,872 TO VERMONT SENIORS/EXPOSITION WEST SENIOR HOUSING PROJECT LOCATED AT 39<sup>TH</sup> STREET AND VERMONT AVENUE IN THE HOOVER EXPANSION REDEVELOPMENT PROJECT AREA (CD8) SOUTH LOS ANGELES REGION

COMMITTEE PROJECT REVIEW: 1/13/05  
REVIEW: NO RECOMMENDATION

RECOMMENDATIONS

That the Agency, subject to City Council review and approval:

- 1) Amend the FY05 Budget and Work Program to transfer funds from the following Work Objectives: \$415,000 from HO1950 (New Housing Initiatives); \$580,000 from N51070 (Scattered Sites); \$208,872 from N51010 (Residential Rehabilitation); \$488,000 from VM1950 (New Housing Initiatives); and \$795,000 from CR 1050 (Buckingham Seniors-Other Housing Costs) to Work Objective HE1700 (Vermont Seniors Apts) and;
- 2) Authorize the Chief Executive Officer or designee to execute an agreement to amend the Agency Gap Loan with Community Resources and Talent Development ("CRTD") for the Vermont Seniors project to increase it by \$2,486,872 from \$5,954,000 to \$8,440,872 to be used to pay acquisition, predevelopment, construction and permanent financing costs and;
- 3) Adopt a Joint Resolution (Attachment A) making the Findings of Benefit necessary to transfer the low and moderate income housing funds from the Normandie 5, Vermont/Manchester and Crenshaw redevelopment project areas for the Vermont Seniors/Exposition West Senior Housing Project.

SUMMARY

The recommended actions will provide an additional \$2,486,872 in gap funds to the Vermont Seniors Apartments, a 140 unit HUD 202 senior housing development to be located at 3901-

3925 South Vermont Avenue (Attachment B Site Map). Approval of this recommendation would increase the Agency's Construction and Permanent Loan to the project from \$5,954,000 to \$8,440,872. The approval of the additional gap funds is critical to survival of the project because HUD, the primary lender, has established March 31, 2005 as the last day to start construction. CRTD plans to request a 30-day extension upon approval of the loan increase by the Agency Board and will be using the Agency' approval and anticipated City Council approval of the Board's action to provide evidence to HUD of the Agency's and the City's continued support for the project. HUD has previously stressed that the deadline must be met to insure that the project preserves HUD 202 Grant funds in the amount of \$16,660,000, which comprises approximately 67% of total project funding. The total cost of the project is estimated at \$25,100,872 or \$ 179,292 per unit (Source and Uses, Attachment C).

Upon its completion the project will provide 140 units of housing for elderly residents with "very low" incomes not to exceed 50% of the Los Angeles Area Median Income ("AMI"). The project will include two senior recreation rooms as well as library rooms and laundry rooms on each residential level. The project is being developed by CRTD, a non-profit developer with a successful track record in developing affordable housing and commercial projects in the area.

Staff recommends that the additional \$2,486,872 loan increase to the project be approved to pay construction cost increases; financing costs from an existing Century Housing Corporation Land Acquisition/Predevelopment Loan; additional architectural contract amendments; predevelopment work costs expended from the Century Loan; additional permit fees; and property taxes. Attachment "C" the project pro forma displays the increases in specific project costs totaling the recommended \$2,486,872 loan increase amount.

#### Project Financing Detail

##### *History*

The Project had a current Total Development Cost (TDC) budget of \$22,614,000 or \$161,528 per unit. This TDC budget includes funds approved at the August 19, 2004 Agency Board meeting in which the Agency Board of Commissioners approved a loan increase of \$500,000 to the project to pay for construction materials cost escalations. The Agency Board also approved the transfer of an additional \$2,200,000 of HOME funds from LAHD to be incorporated into the Agency loan through a cooperation agreement which, when combined with the additional \$500,000 in Agency funds, increased the total Agency Loan from \$3,254,000 to \$5,954,000. The combined CRA/LAHD investment at that time stood at \$42,528 per unit. In addition to the Agency and LAHD funds, the primary project funding source consisted of a HUD Section 202 Grant in the amount of \$16,660,000, or \$119,000 per unit.

##### *Revisions to TDC*

The proposed loan increase of \$2,486,872 will increase the TDC to \$25,100,872, or \$179,292 per unit. The Agency/LAHD per unit contribution will increase to \$60,292 per unit. The HUD contribution will not change.

#### Itemization of the Additional Gap of \$2,486,872

After the City Council's approval in mid-September 2004 of the Agency's August 19, 2004 Board actions increasing the Agency Loan, staff conducted and on October 21, 2004 completed a review of various project documents including the construction contract and back up documentation to verify the construction hard costs, final permit fees, architectural amendments and various other development budget line items. These were all conducted as part of staff's due diligence requirements to close the Agency Loan. Since that review, the construction costs have further increased, as have various other costs. Agency staff notified the Developer that, per the terms of the CRA Board's and Council's approved Loan Agreement,

the Agency could not disburse loan funds nor issue a "Notice to Proceed" until the developer provided evidence that the project budget was in balance (i.e. that there were sufficient funds committed to complete construction of the project). The gap is largely attributable to the following new or increased costs:

- a) \$616,347 of financing costs from an existing Century Housing Corporation (CHC) Acquisition/Predevelopment Loan (accrued interest that had not previously been shown in prior pro formas);
- b) \$170,385 from architectural contract amendments;
- c) \$149,924 of predevelopment work costs expended from the Century Loan;
- d) \$75,000 in additional permit fees;
- e) \$155,901 in additional property taxes;
- f) \$1,247,743 in an increased construction bid due primarily to materials cost increases; and
- g) \$70,000 in an increase in pre-construction services/consulting

The additional costs "a" through "d" were not included in the development budget submitted by the Developer for the August 19, 2004 Agency Board action. The additional costs of item "e" are a function of the additional time that has passed since the latest pro forma was received and funds added by Agency staff to account for construction period property taxes. The additional costs described in "f" were the result of a new construction bid received in January, 2005. The additional costs described in "g" were previously unaccounted for in prior pro formas.

#### RE

August 19, 2004 – Agency Board approval of various actions to amend to the loan agreement to increase the loan to the project.

September 15, 2004 – City Council approval of the August 19, 2004 Agency Board recommendations to amend the loan agreement to the project.

#### SOURCE OF FUNDS

Hoover Housing Funds, Hoover Tax Increment Funds, Normandie 5 Housing Funds, Vermont Manchester Housing Funds, Crenshaw Housing Funds, HOME Funds, Arena Replacement Housing Funds, Community Development Block Grant Funds.

#### PROGRAM AND BUDGET IMPACT

The funds transferred from the various project areas will be reimbursed to the Objectives from which they are being transferred with expected tax increment to come from the Hoover Project Area beginning in 2007. The recommended actions amend the FY05 Budget to transfer funds from the following Work Objectives: \$415,000 from HO1950 (New Housing Initiatives); \$580,000 from N51070 (Scattered Sites); \$208,872 from N51010 (Residential Rehabilitation); \$488,000 from VM1950 (New Housing Initiatives); and \$795,000 from CR 1050 (Buckingham Seniors-Other Housing Costs) to Work Objective HE1700 (Vermont Seniors Apts. The Vermont Seniors Apartment project was anticipated in the FY05 Budget and Work Program Budget for the Hoover Expansion Project Area although at a budget that did not require the proposed transfers.

The current work programs of these project areas and each specific work program objective will not be adversely impacted by the transfer of these funds to the Vermont Seniors project. At

present, no alternate demands exist or are anticipated for the affected funds through June 30, 2005.

There is no fiscal impact to the City's General Fund, as a result of the recommended actions.

### ENVIRONMENTAL REVIEW

The project was previously evaluated in accordance with the California Environmental Quality Act and the Agency adopted a Mitigated Negative Declaration (ENV 2003-1037 MND) on September 18, 2003 prepared by the Los Angeles City Planning Department.

### BACKGROUND

On April 15, 1999, the Agency approved project funding for two loans to CRTD including a \$1,400,000 loan of HOME funds to be disbursed upon the start of construction of Phase I of the then-two-phase project and a \$700,000 land take out commitment to Century Housing Corporation ("CHC") to be disbursed to CHC on the third anniversary of the its Acquisition and Predevelopment Loan to CRTD dated June 8, 2002. The \$700,000 loan includes \$300,000 of federal CDBG/TNI funds.

On November 16, 2000 the Agency provided a predevelopment loan to disburse a \$400,000 portion of the \$700,000 loan prior to the June 8, 2001 due date to cure the Century Housing Corporation default. However the \$400,000, due to be paid to Century Housing on February 28, 2001, was not fully disbursed to Century Housing to cure the default due to an appraisal issue.

On February 2, 2002, the Agency amended its predevelopment loan to increase it from \$400,000 to \$900,000 and changed the eligible uses of the Agency funding commitments.

On September 18, 2003 the Agency approved actions to provide a construction and permanent loan to provide gap financing in the amount \$3,254,000. The Loan was not disbursed due to: 1) additional time required by the Developer to close the HUD Firm Commitment and perform and finalize value engineering; 2) additional time required by LAHD to complete the approval process for the \$2.2 million of additional funding to be provided to the project under the Housing Trust Program.

On August 19, 2004 the Agency approved actions to increase the Agency's loan funds to the project by \$500,000, from \$3,254,000 to \$3,754,000. Additionally, the Agency also amended a Cooperation Agreement with LAHD to transfer \$2,200,000 of HOME funds from LAHD to the project bringing the total Agency/LAHD investment in the project to \$5,954,000. The purpose of the \$500,000 was to pay for an increase in the construction contract due to escalating costs of materials.

Community Resources and Talent Development (CRTD) is a non-profit community development corporation. Shelby Jordan is the executive director of the organization. CRTD works with private sector and public agencies to develop affordable housing, provide job opportunities and create educational programs. CRTD has previously developed several residential projects with Agency assistance including the Wisconsin I, Wisconsin II, and Wisconsin III Apartments, and the Hoover Senior Apartments. CRTD also developed with Agency assistance a 130,000 square foot office building and childcare facility for 57 children located at Vermont Avenue and 38<sup>th</sup> Street.

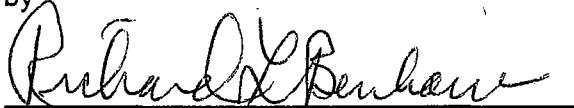
The Developer will ensure Prevailing Wage requirements are adhered to. In addition, the Developer will be required to comply with all other applicable Agency requirements, including

Community Outreach, Affirmative Action and Equal Opportunity, Living Wage, Responsible Contractor, Equal Benefits, design standards and insurance.

The Hoover Expansion Redevelopment Project Community Advisory Committee is supportive of this development. Councilmember Bernard Parks is aware of and supports this project.

Robert R. Ostrom  
Chief Executive Officer

by

A handwritten signature in cursive script, reading "Richard L. Benbow", written over a horizontal line.

Richard L. Benbow  
Chief Operating Officer

There is no conflict of interest known to me, which exists with regard to any Agency officer or employee concerning these actions.

Attachments:

- A - Resolution
- B - Map
- C - Sources and Uses

## Attachment A

## THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA

## JOINT RESOLUTION NO. \_\_\_\_\_

A JOINT RESOLUTION OF CITY OF LOS ANGELES AND THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA APPROPRIATING FUNDS FROM THE FOLLOWING AGENCY REDEVELOPMENT PROJECT AREAS LOW AND MODERATE INCOME HOUSING FUNDS: \$788,872 FROM NORMANDIE 5; \$795,000 FROM CRENSHAW; \$488,000 FROM VERMONT MANCHESTER , TO PROVIDE FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF 140 UNITS OF AFFORDABLE SENIOR HOUSING LOCATED AT 3925 S. VERMONT AVENUE IN THE HOOVER EXPANSION REDEVELOPMENT PROJECT AREA OF THE CITY OF LOS ANGELES, FINDING THE PROVISION OF REPLACEMENT HOUSING TO BE OF BENEFIT TO THE NORMANDIE 5, CRENSHAW, AND VERMONT MANCHESTER REDEVELOPMENT PROJECTS.

WHEREAS, the Agency and the City Council of the City of Los Angeles have, by ordinance, established the Normandie 5, Crenshaw, and Vermont Manchester Redevelopment Project Areas; and

WHEREAS, the Agency and the City Council of the City of Los Angeles have, by ordinance, established the Hoover Expansion Redevelopment Project which is located within close proximity to the aforementioned Normandie 5, Crenshaw, and Vermont Manchester Redevelopment Project Areas; and

WHEREAS, the Agency desires to provide for creation of dwelling units restricted to low and moderate income families or persons and of benefit to Normandie 5, Crenshaw, and Vermont Manchester Redevelopment Projects; and

WHEREAS, pursuant to State law, the Agency has established the Normandie 5, Crenshaw, and Vermont Manchester Low and Moderate Income Housing Funds, into which funds may be appropriated and expended by the Agency to develop dwelling units for low and moderate-income families and persons; and

WHEREAS, Health and Safety Code Section 33334.2(g) provides that the Agency may use Housing Funds outside of the project areas in which they are generated if a finding is made by resolution of the Agency and the City Council that such use will be of benefit to the respective project areas; and

WHEREAS, pursuant to Health and Safety Code Section 33334.6, the California Legislature has found and declared that the provision and improvement of affordable housing as provided by Section 33334.2 outside of a redevelopment project area can be of benefit to a project area;

NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA DO HEREBY RESOLVE AS FOLLOWS:

1. The City Council of the City of Los Angeles and the Board of Commissioners of the Agency do hereby appropriate the sum of \$2,486,872 into the Hoover Expansion Area Low and Moderate Income Housing Funds from property taxes allocated to the Agency pursuant to California Health and Safety Code Section 33670 for the Normandie 5, Crenshaw, and Vermont Manchester Redevelopment projects.

2. Such funds shall be held in the Hoover Expansion Housing Fund until expended by the Agency to provide financial assistance for the development of 140 units of affordable senior housing located at 3925 S. Vermont Avenue, in the Hoover Expansion Redevelopment Project Area. Any funds herein appropriated which have been so used and thereafter returned to the Normandie 5, Crenshaw and Vermont Manchester Low and Moderate Income Housing Fund shall continue to be appropriated for similar use in such similar projects, which may hereafter be approved by the Agency.

3. By adopting this resolution, the Agency hereby obligates itself to meet the legal requirements of Sections 33334.2, 33334.6 and 33413 to the extent set forth herein. The payment of funds into the Normandie 5, Crenshaw, and Vermont Manchester Low and Moderate Income Housing Funds, and to the Hoover Expansion Area Low and Moderate Income Housing Fund, as required by this resolution pursuant to said Sections 33334.2 and 33334.6 shall constitute an obligation and indebtedness of the Agency for the Normandie 5, Crenshaw, Vermont Manchester, and Hoover Expansion Redevelopment Projects to the extent of providing for the development of up to 140 units of affordable senior housing, as generally described in Section 2 hereinabove.

4. The Agency hereby finds, determines and resolves that the use of Housing Funds outside of the Normandie 5, Crenshaw, and Vermont Manchester Redevelopment Project areas as described herein above in Section 2 of this resolution is of benefit to the Normandie 5, Crenshaw, and Vermont Manchester Redevelopment Projects because the residents of the project areas will be eligible to apply for senior units being developed in close proximity to the project areas, and because the expansion of the supply of affordable housing in this part of the City of Los Angeles is of benefit to the project areas from which the funds are drawn.

5. The Agency's Chief Executive Officer or designee is hereby authorized to retain or pay all interest income earned on this appropriation into the respective Housing Funds. The Chief Executive Officer or his designee is further authorized to pay all other income, loan repayments, sale proceeds or revenues received by the Agency arising from the expenditure of the funds appropriated by this resolution, into the Normandie 5, Crenshaw, and Vermont Manchester Low and Moderate Income Housing Funds.

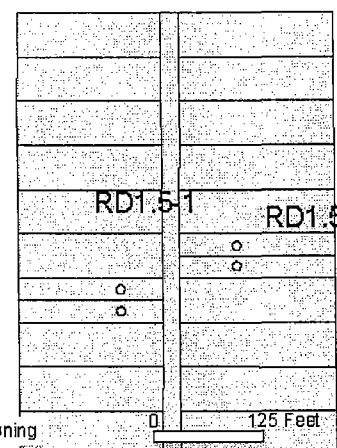
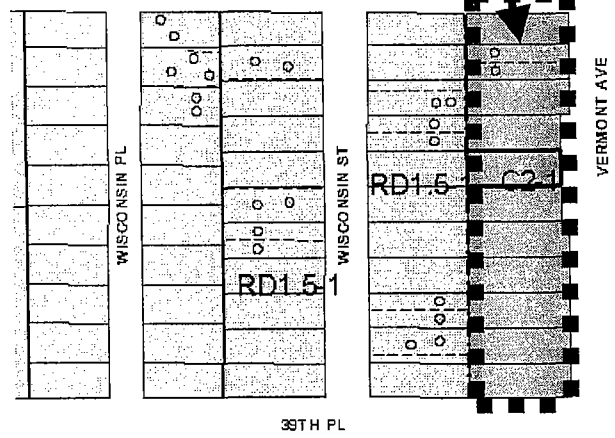
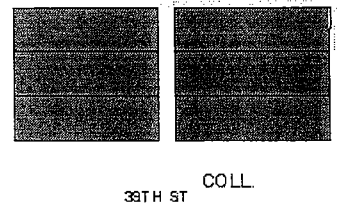
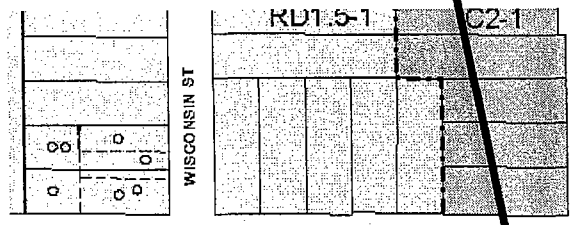
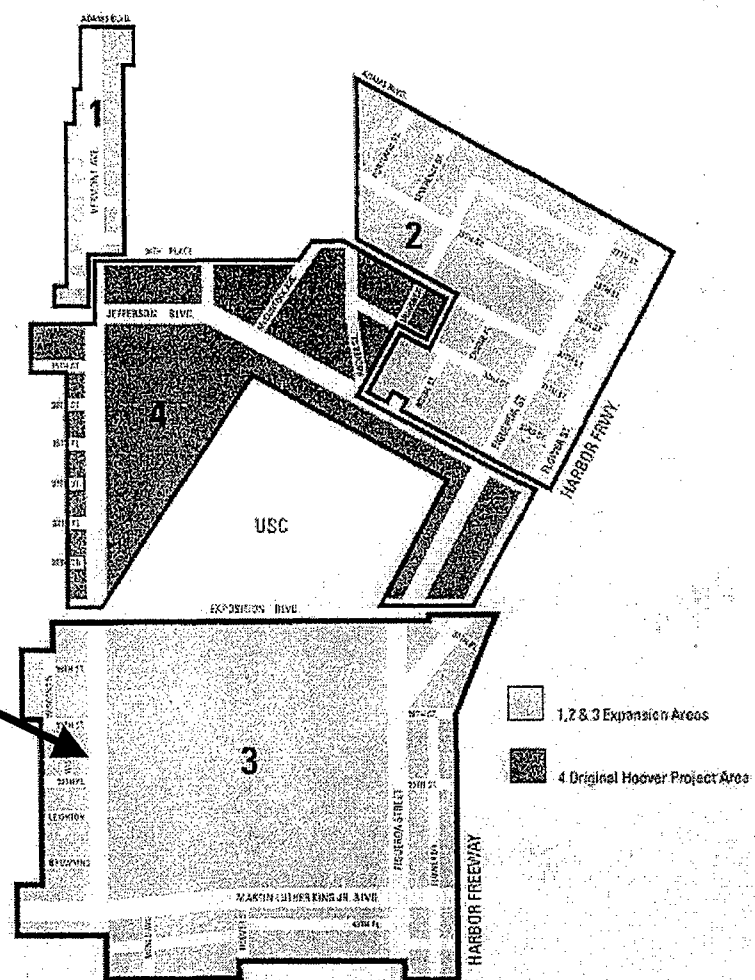
ADOPTED BY CRA/LA: \_\_\_\_\_

ADOPTED BY CITY COUNCIL: \_\_\_\_\_

Council File Number: \_\_\_\_\_

# ATTACHMENT B HOOVER EXPANSION PROJECT AREA

**SITE**  
3901-3925 So.  
Vermont



	Original Master Budget	Original HUD Budget	Original CRA/LAHD Budget	Total Orig. HUD, CRA/LAHD Budget	Revisions CRA/LAHD Budget	Revised Total Budget
<b>Acquisition Costs</b>						
Land Cost	2,211,155		2,211,155	2,211,155	-17,944	2,193,211
Interest Owed To Century Housing Corp					616,347	616,347
Other					149,924	149,924
<b>Total Acquisition Costs</b>	<b>2,211,155</b>	<b>0</b>	<b>2,211,155</b>	<b>2,211,155</b>	<b>748,327</b>	<b>2,959,482</b>
<b>Construction Costs</b>						
Sub-Total Summary	18,008,257	15,850,879	2,157,378	18,008,257	-	18,008,257
Revisions due to Suffolk's Bid					1,247,743	1,247,743
<b>Total Construction costs</b>	<b>18,008,257</b>	<b>15,850,879</b>	<b>2,157,378</b>	<b>18,008,257</b>	<b>1,247,743</b>	<b>19,256,000</b>
<b>Soft Costs</b>						
Architectural Reimbursables					170,385	170,385
Pre-Construction Services/Consulting	70,000		70,000	70,000	75,350	145,350
Tests/ Inspections/Survey/CE	60,000	48,788	11,212	60,000	-4,271	55,729
Site Maintenance	-		0	0	4,406	4,406
Plan Check/ Permit Fees	190,582		190,582	190,582	75,000	265,582
Property Taxes	62,517		62,517	62,517	155,901	218,418
HUD 2% Contingency	371,089	371,089		371,089	14,031	385,120
Other (Items w/no Budget Revisions)	1,210,364	760,333	450,031	1,210,364		1,640,400
<b>Sub-total</b>	<b>2,394,588</b>	<b>809,121</b>	<b>1,585,467</b>	<b>2,394,588</b>	<b>490,802</b>	<b>2,885,390</b>
<b>Total Development Costs</b>	<b>22,614,000</b>	<b>16,660,000</b>	<b>5,954,000</b>	<b>22,614,000</b>	<b>2,486,872</b>	<b>25,100,872</b>

<b>Sources Summary -- Current</b>			
Source	Amount	% of Total Dev't Cost	Per Unit Cost (140 Units)
HUD	16,660,000	74%	119,000
LAHD	3,600,000	16%	25,714
CRA	2,354,000	10%	16,814
<b>Total</b>	<b>22,614,000</b>	<b>100%</b>	<b>161,529</b>
<b>Sources Summary -- If Unfunded Gap Filled by CRA</b>			
Source	Amount	% of Total Dev't Cost	Per Unit Cost (140 Units)
HUD	16,660,000	66%	119,000
LAHD	3,600,000	14%	25,714
CRA	4,840,872	19%	34,578
<b>Total</b>	<b>25,100,872</b>	<b>100%</b>	<b>179,292</b>
<b>LAHD + CRA</b>	<b>8,440,872</b>	<b>34%</b>	<b>60,292</b>

<b>Sources for CRA's Additional Funds</b>	
Hoover	415,000
Vermont Manchester	488,000
Crenshaw	795,000
Normandie 5	788,872
<b>TOTAL</b>	<b>2,486,872</b>