

REPORT OF THE CHIEF LEGISLATIVE ANALYST

February 5, 2007

TO: Honorable Members, Housing, Community
and Economic Development Committee

FROM: Gerry F. Miller *Gerry F. Miller*
Chief Legislative Analyst

Assignment No.: 07-01-0158
C.F. : 07-0331

LOAN AGREEMENT FOR WESTERN AVE HOUSING PROJECT

SUMMARY

The Community Redevelopment Agency is requesting authority to execute an acquisition and permanent financing loan agreement in the amount of \$1,2600,000 with The Bricker, LP, for the rehabilitation and expansion of the Bricker building, an affordable housing project, located at 1671 North Western Avenue in the Hollywood Redevelopment Project Area. This project is located in Council District 13.

The CRA is additionally requesting the adoption of a resolution which subordinates the CRA deeds of trust and affordability covenants, the adoption of a Finding of Benefit Resolution and the re-conveyance of an existing earthquake deed of trust on the property. These actions are necessary to secure construction financing and provide the necessary funds for the completion of this project.

The CRA loan will facilitate the rehabilitation of the 15 unit Bricker Building and allow for the development of 16 new affordable units designated for low and very low-income senior citizens. The rehabilitation portion of the project will be carried out in such a way that no units will be removed from the low and moderate income housing market. The building, which had been cited by the City as a nuisance property, is eligible for listing on the National Register of Historic Places. All rehabilitation work will meet United States Department of Interior standards.

The total cost for the project, including all acquisition and rehabilitation costs, is \$6.5 million. The developer, The Bricker, LP, has secured a reservation of Low Income Housing Tax Credits which will provide equity funds for more than 50% of the total project costs. The project received a \$1.4 million loan from the City of Los Angeles Housing Department Affordable Housing Trust Fund and \$564,000 in conventional financing from Wilshire State Bank. The CRA loan of \$1,2600,000 over 55 years with 3% simple interest per annum will fill the gap in funds. The Project has a California Tax Credit Allocation Committee (TCAC) 150 day readiness date of February 15, 2007. This loan is consistent with other Hollywood affordable housing development projects.

BACKGROUND

The Bricker Building is located on the Southwestern corner of Western Ave and Hollywood Boulevard. The building sits on a parcel that is lot-tied to the adjacent parcel which contains the historic Mayer Building. Through an affiliated developer, The Bricker, LP, is seeking to acquire the Bricker building using a 99 year lease. In order for this to occur, the affiliated developer, Bricker Mayer, LLC, needs to first acquire both parcels and then split the tract map.

In order to protect the CRA's investments and assure the development of the affordable housing, the CRA is executing a leasehold deed-of-trust, a non-disturbance agreement and a covenant agreement prohibiting the termination of the lease by either the landlord or tenant. Additionally, the CRA will re-convey its existing earthquake deed of trust so that it encumbers only the Mayer and Bricker properties and not the adjacent parking lot. Once the properties are split, the CRA will further re-convey the earthquake deed of trust so that it encumbers only the Mayer building. This action will facilitate the acquisition and split of the properties by the developer.

The Bricker Building Project is consistent with two key objectives of the Hollywood Redevelopment Plan: production of affordable housing units, and protecting and rehabilitating historic resources in the project area.

RECOMMENDATIONS

That the Council:

- (1) Find that the proposed project is categorically exempt from the California Environmental Quality Act pursuant to Article VII 1a(35) of the Community Redevelopment Agency CEQA guidelines.
- (2) Authorize the Community Redevelopment Agency's Chief Executive Officer, or designee, to execute an acquisition and permanent financing loan agreement with The Bricker, LP for \$1,260,000 for the Bricker Building affordable housing rehabilitation project and authorize the Chief Executive Officer to take other actions necessary to implement the agreement;
- (3) Approve the partial re-conveyances of an existing deed of trust for the Commercial Industrial Earthquake Recovery Loan Agreement with Advanced Business Solutions, LLC, for the rehabilitation of the historic Mayer Building such that said deed of trust encumbers only the Mayer Building parcels and not the adjacent parcels;
- (4) Approve the Subordination Resolution, as attached to the Community Redevelopment Agency's transmittal dated February 1, 2007, making the necessary findings to subordinate to the leasehold interest the Agency's existing deed of trust for the Earthquake Recovery Loan Agreement for the Mayer Building, a future leasehold deed of trust (Bricker Building), and low and moderate income deed restrictions (Bricker

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA AND OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES APPROPRIATING \$1,260,000 FROM THE EAST HOLLYWOOD/BEVERLY-NORMANDIE EARTHQUAKE DISASTER ASSISTANCE PROJECT AREA LOW AND MODERATE INCOME HOUSING FUND INTO THE HOLLYWOOD REDEVELOPMENT PROJECT AREA LOW AND MODERATE INCOME HOUSING FUND, TO PROVIDE FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF AN AFFORDABLE HOUSING PROJECT LOCATED OUTSIDE THE EAST HOLLYWOOD/BEVERLY-NORMANDIE EARTHQUAKE DISASTER ASSISTANCE PROJECT AREA AND FINDING THAT THE DEVELOPMENT OF THIS PROJECT IS OF BENEFIT TO THE EAST HOLLYWOOD BEVERLY-NORMANDIE EARTHQUAKE DISASTER ASSISTANCE PROJECT AREA

WHEREAS, the Agency desires to provide for the creation of dwelling units restricted to low-income and/or moderate-income persons as part of the implementation of the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area; and

WHEREAS, the Agency has established the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area Low and Moderate Housing Fund, into which funds may be appropriated and expended by the Agency to develop dwelling units for low-income and/or moderate-income persons within and outside of the said 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 Agency do hereby appropriate the sum of (\$1,260,000) into the Hollywood Redevelopment Project Area Low and Moderate Income Housing Fund to be paid by funds from the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area Low and Moderate Income Housing Fund.
2. Such funds shall be held in the Hollywood Redevelopment Project Area Low and Moderate Income Housing Fund until expended by the Agency to provide financial assistance for the development of affordable housing at the proposed Bricker Building project located at 1671 North Western Avenue in Los Angeles, California in the Hollywood Redevelopment Project Area.

3. By adopting this resolution, the Agency and the City Council hereby find that the housing as described hereinabove in Section 2 of this resolution is of benefit to the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area in conformity with the legal requirements of Health and Safety Code Sections 33334.2 and 33334.6. The payment of funds into the Hollywood Redevelopment Project Area Low and Moderate Housing Fund, as required by this resolution, and pursuant to Sections 33334.2 and 33334.6 of the California Health and Safety Code, shall constitute an obligation and indebtedness of the Agency to develop affordable housing units for the for the Hollywood Redevelopment Project Area, as generally described in Section 2 hereinabove.
4. The Agency hereby finds, determines, and resolves that the use of Low and Moderate Income Housing Funds outside of the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area in this situation is of benefit to the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area. This finding is based on the finding that the proposed affordable housing project is located nearby the East Hollywood Beverly-Normandie Earthquake Disaster Assistance Project Area and will help meet the affordable housing needs of that project area.
5. The Agency's acting Chief Executive Officer or designee is hereby authorized to retain or pay all interest income earned on this appropriation into the Hollywood Redevelopment Project Area Low and Moderate Income Housing Fund. The acting Chief Executive Officer or 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 Hollywood Redevelopment Project Area Low and Moderate Income Housing Fund.

Adopted by the Community Redevelopment Agency of the City of Los Angeles, California, on the 1st day of February, 2007.

PASSED AND ADOPTED THIS 1st DAY OF FEBRUARY, 2007

I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles, California, at its regular meeting held on _____, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles on this _____ day of _____, 2007

Frank T. Martinez, City Clerk

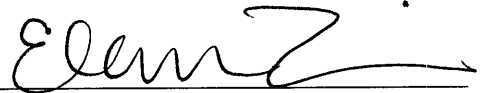
By: _____
Deputy

Building); and authorize the Chief Executive Officer or designee to execute the Subordination Agreement for this purpose;

- (5) Adopt the Finding of Benefit Joint Resolution, as attached to this report, which finds that the expenditure of \$1,260,000 from the East Hollywood/Beverly-Normandie Earthquake Disaster Assistance Project Area Low and Moderate Income Housing Fund for the Bricker Building Project is of benefit to the East Hollywood Project Area;
- (6) Amend the FY07 budget and work program to recognize \$1,160,000 in FY06 unspent housing trust and tax increment funds from East Hollywood/Beverly-Normandie Response to Housing Opportunities (EB1990) and transfer \$1,160,000 to the Bricker Building Affordable Housing Project (HW1650); and
- (7) Amend the FY07 budget and transfer an additional \$100,000 from FY07 East Hollywood/Beverly-Normandie Response to Housing Opportunities (EB1990) to the Bricker Building Affordable Housing Project (HW1650).

FISCAL IMPACT

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



Eleanor Levine
Analyst

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Attachment A Resolution of Benefit

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