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CRA File No. 5979  
Council District: 14  
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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

Attention: Alan Alietti, Office of the City Clerk

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on February 19, 2009 City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

**VARIOUS ACTIONS RELATED TO:**

AMEND BUDGET TO TRANSFER FUNDS FROM THE BUNKER HILL REDEVELOPMENT PROJECT TO THE CITY CENTER REDEVELOPMENT PROJECT TO IMPLEMENT THE ALEXANDRIA HOTEL SETTLEMENT IN THE AMOUNT OF \$225,000 AND INCREASE THE PURCHASE ORDER FOR MEYERS, NAVE, RIBACK, SILVER & WILSON BY \$250,000 (FROM \$148,750 TO \$398,750) TO REPRESENT THE CRA/LA, CITY CENTER REDEVELOPMENT PROJECT AREA DOWNTOWN REGION (CD 14)

**RECOMMENDATION**

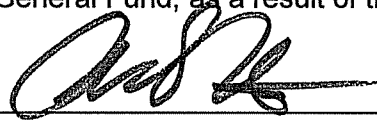
That City Council approves recommendations on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

The proposed action does not constitute a "project" as defined by the California Environmental Quality Act.

**FISCAL IMPACT STATEMENT**

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

  
\_\_\_\_\_  
Cecilia V. Estolano, Chief Executive Officer



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Council Transmittal

cc: Alan Alietti, Office of the City Clerk (Original & 3 Copies on 3-hole punch)  
Lisa Johnson Smith, Office of the CAO  
Ivania Sobalvarro, Office of the CLA  
Helmi Hisserich, Office of the Mayor  
Noreen Vincent, City Attorney's Office  
Jose Huizar, Councilmember

MEMORANDUM

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DATE: FEBRUARY 19, 2009 CT 1050  
BH 1100

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR  
LILLIAN BURKENHEIM, PROJECT MANAGER  
TIMOTHY J. CHUNG, DEPUTY CITY ATTORNEY

SUBJECT: AMEND BUDGET TO TRANSFER FUNDS FROM THE BUNKER HILL REDEVELOPMENT PROJECT TO THE CITY CENTER REDEVELOPMENT PROJECT TO IMPLEMENT THE ALEXANDRIA HOTEL SETTLEMENT IN THE AMOUNT OF \$225,000 AND INCREASE THE PURCHASE ORDER FOR MEYERS, NAVE, RIBACK, SILVER & WILSON BY \$250,000 (FROM \$148,750 TO \$398,750) TO REPRESENT THE CRA/LA, CITY CENTER REDEVELOPMENT PROJECT AREA DOWNTOWN REGION (CD 14)

RECOMMENDATION

That the CRA/LA Board of Commissioners,

1. Adopt, and request that the City Council adopt, a joint Finding of Benefit Resolution in order to transfer \$475,000 from the Bunker Hill Redevelopment Project Area to the City Center Redevelopment Project Area in connection with the Alexandria Hotel affordable housing development;

That the CRA/LA Board of Commissioners, subject to City Council review and approval,

2. Amend the CRA/LA Budget to transfer \$475,000 from the Bunker Hill Redevelopment Project to City Center Redevelopment Project under budgeted line item "Affordable Housing" in order to implement the terms of the Settlement Agreement and pay the CRA/LA's legal costs in *Woods v. CRA/LA et al.* (Case No. CV-07-08262-MMM (JWJx) (the "Litigation") related to the Alexandria Hotel.
3. Authorize the expenditure of \$225,000 in accordance with the CRA/LA's obligations under the approved Settlement Agreement in the Litigation;

4. Authorize the Chief Executive Officer, or designee, to increase the purchase order for Meyers, Nave, Riback, Silver & Wilson ("Meyers Nave") by \$250,000 (from \$148,750 to \$398,750) for litigation defense and representation services in the Litigation related to the Alexandria Hotel;

### SUMMARY

At its meeting of February 5, 2009, the CRA/LA Board of Commissioners approved and authorized the Chief Executive Officer to enter into a Settlement Agreement in the matter entitled *Woods v. CRA/LA et al.* (Federal Dist. Court No. CV-07-08262-MMM (JWJx) (the "Litigation"). The City Council on February 11, 2009 also approved and authorized execution of the Settlement Agreement on behalf of the City of Los Angeles ("City"). The Litigation concerned the rehabilitation of the Alexandria Hotel, a CRA/LA financed affordable housing development located at 501 S. Spring Street in the City Center Redevelopment Project Area.

The approved Settlement Agreement requires the CRA/LA to (1) contribute \$200,000 to and administer a settlement fund in the total amount of \$400,000 for eligible former tenants of the Alexandria Hotel, (2) pay \$25,000 in attorneys' fees to the Western Center on Law and Poverty and (3) comply with certain other non-monetary obligations (all described in more detail in the Background section of this Board Memorandum, below).

Additional budget authority in the amount of \$250,000 is also needed for the CRA/LA's legal expenses in connection with the Litigation, settlement and development financing. In July 2008, the CRA/LA retained Meyers, Nave, Riback, Silver & Wilson ("Meyers Nave") to step in and replace lead outside counsel on the Litigation at a budget of \$148,750. The case was much more intensive than original assessments because the case focused on federal funding, relocation and disabled access requirements. Meyers Nave also responded to and filed cross-complaints related to insurance and indemnity issues which are complex and detailed. There were also a large number of parties and their respective counsel involved in the Litigation. Meyers Nave represented the CRA/LA in complying with massive amounts of discovery and participating in protracted settlement negotiations that began in September 2008 and finally concluded in January 2009. The budget increase will also cover legal costs related to the implementation of the Settlement Agreement and CRA/LA Loan Agreement with Alexandria Housing Partners. It is therefore requested that Meyers Nave's purchase order be increased by \$250,000 (from \$148,750 to \$398,750).

The City Attorney's Office has approved the proposed budget increase. Since the total budget exceeds \$150,000, Board of Commissioners and City Council approval is required.

In order to fulfill the CRA/LA's obligations to fund its share of the settlement payments and to pay for the CRA/LA's legal expenses, it is requested that the Board approve the recommendations and amend the CRA/LA Budget to transfer \$475,000 from the Bunker Hill Redevelopment Project Area to the City Center Redevelopment Project Area. As the funds will be transferred from the Bunker Hill Redevelopment Project Area, it is requested that the CRA/LA Board and City Council adopt the attached Finding of Benefit Resolution (Attachment "A").

RE: February 11, 2009 – City Council approval of Settlement Agreement.

February 5, 2009 – CRA/LA Board approval of Settlement Agreement.

#### SOURCE OF FUNDS

Bunker Hill Replacement Housing Trust Fund.

#### PROGRAMMING AND BUDGET IMPACT

This action will amend the FY09 Budget to transfer the amount of \$475,000 from the Bunker Hill Redevelopment Project to the City Center Redevelopment Project under budgeted line item "Affordable Housing".

#### ENVIRONMENTAL REVIEW

The proposed action does not constitute a "project" as defined by the California Environmental Quality Act.

#### BACKGROUND

##### A. The Litigation.

The Litigation was commenced in Federal District Court in December 2007 and amended in February 2008. The complaint included 29 causes of action related to the rehabilitation of the Alexandria Hotel by Alexandria Housing Partners ("AHP"), the hotel owners. The amended complaint set forth four types of claims: (i) failure to provide relocation assistance for tenants temporarily relocated and permanently displaced as a result of the rehabilitation of the hotel, (ii) failure to provide a replacement housing plan for permanently displaced tenants, (iii) various civil rights violations based on tenants' race and disabilities, and (iv) failure to meet various habitability standards at the hotel.

In July 2008, the CRA/LA made an initial demand on AHP for indemnification pursuant to the terms of the bond financing documents for the Alexandria Hotel. After AHP rejected the tender of defense, the CRA/LA notified AHP for of its default under the Agency bond financing agreements and AHP filed a declaratory relief action against the CRA/LA to contest the default finding. Shortly thereafter, the CRA/LA filed a cross-complaint against AHP for breach of contract for its failure to indemnify the Agency.

##### B. The Settlement.

Under the supervision of U.S. Magistrate Judge Jeffrey W. Johnson, all parties participated in a series of settlement negotiations beginning in September 2008 and continuing through January 2009. During that period, Magistrate Judge Johnson successfully brought the parties together in reaching the Settlement Agreement that was approved by the CRA/LA Board on February 5, 2009 and the City Council on February 11, 2009. The terms of the Settlement Agreement are summarized below.

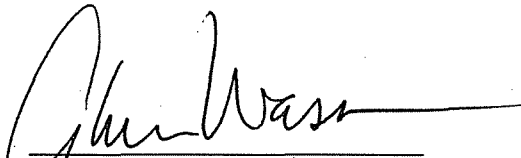
- *AHP* Payment: \$550,000 to plaintiffs for attorneys' fees and settlement of all claims.

- *CRA/LA and City Settlement Fund:* The CRA/LA and City to each deposit \$200,000 into a settlement fund to provide certain assistance to eligible former tenants who were evicted from the Alexandria Hotel. CRA/LA and City to pay \$50,000 in legal fees to the Western Center and Law and Poverty and the Disability Rights Law Center.
- *Rental Priority:* AHP to provide eligible former tenants priority in renting units at the Alexandria and Rosslyn Lofts.
- *Alexandria Habitability:* AHP to augment existing maintenance procedures and implement certain additional procedures regarding interruptions of elevator and water services.
- *Air Conditioners:* CRA/LA to reimburse the cost of in-room air conditioners to tenants who had their air conditioning units removed after AHP acquired the hotel. The CRA/LA's total expenditure is not to exceed \$5,000.
- *Tenants with Disabilities:* AHP to make reasonable accommodations and modifications to existing house rules.
- *Elimination of Bias/Prevention of Race Discrimination:* AHP to comply with federal and State regulations regarding race and disability bias and discrimination and with the CRA/LA's non-discrimination and disability-related policies.
- *CRA/LA Task Force:* The CRA/LA is to form a task force to develop policies for the Board's consideration regarding (i) training of CRA/LA employees on disability-related policies, (ii) designation of staff to ensure CRA/LA compliance with disability-related policies, and (iii) policies to ensure that developers that receive financial assistance comply with disability-related laws and CRA/LA policies.
- *Retention of Complaint Records:* AHP to maintain records of tenant complaints, service interruptions, and requests for reasonable accommodations and repairs for three years and to allow inspection of the records.
- *Notices of Default:* CRA/LA to withdraw/rescind all notices of default issued against AHP.
- *Continuing Court Jurisdiction:* Magistrate Judge Johnson will retain jurisdiction for compliance and enforcement of the Settlement Agreement for three years following the effective date.
- *Dismissals:* All parties to dismiss all pending actions and cross-actions.
- *Release of Claims:* Plaintiffs to release defendants from all claims raised in the Complaint and the defendants to release each other from claims raised in cross-actions.

- *Exhibits:* Attached to the Settlement Agreement are (i) the application form for settlement funds, (ii) draft CRA/LA In-Place Rehabilitation Procedures, (iii) the developer agreement for compliance with In-Place Rehabilitation Procedures, (iv) Plaintiff tenants accommodations/modifications, (v) draft AHP/LPM reasonable accommodation/modification and non-discrimination policy, (vi) tenant request for reasonable accommodation/modification form, (vii) a list of modifications to the Alexandria Hotel to be made by AHP/LPM, (viii) Draft CRA/LA Affirmative Marketing Requirements, (ix) marketing targets for units at the Alexandria Hotel, (x) draft CRA/LA Management Plan Outline, (xi) draft CRA/LA management requirements for housing development, and (xii) draft CRA/LA language regarding compliance with disability-related laws for use in CRA/LA loan agreements.

Cecilia V. Estolano  
Chief Executive Officer

By

  
Glenn F. Wasserman  
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.

Attachment A – Finding of Benefit Resolution

**ATTACHMENT A – FINDING OF BENEFIT RESOLUTION**

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

**A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES  
AND THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS  
ANGELES, CALIFORNIA TO APPROPRIATE \$475,000  
OF BUNKER HILL REPLACEMENT HOUSING TRUST FUNDS TO THE  
ALEXANDRIA HOTEL WITHIN THE CITY CENTER REDEVELOPMENT PROJECT  
AREA (CT) TO ASSIST IN THE PROVISION OF LOW- AND MODERATE-INCOME  
HOUSING IN ACCORDANCE WITH THE PROVISIONS OF THE CALIFORNIA  
REDEVELOPMENT LAW PURSUANT TO SECTION 33334.2 (g)(1) THEREOF.**

WHEREAS, the Redevelopment Plan for the Bunker Hill ("BH") Redevelopment Project was adopted by the Los Angeles City Council on March 31, 1959, by Ordinance No. 113,231; and

WHEREAS, on January 12, 1968, the City Council of the City of Los Angeles adopted an amendment to the BH Redevelopment Plan, by Ordinance No. 140,662; and

WHEREAS, one of the goals of the City Center (CT) redevelopment plan is to "provide high and medium density housing close to employment and available to all ethnic social and economic groups and to make an appropriate share of the City's low and moderate income housing available to residents of the area;" and

WHEREAS, the CRA/LA, as required by Section 33413(b) (4) of the Community Redevelopment Law (CRL), adopted Five Year Implementation Plan for the CT project area and contained within that Plan are listings of projects and expenditures planned by the CRA/LA to implement the affordable housing requirements; and

WHEREAS, the Legislature of the State of California has found that pursuant to Section 33334.2 (g)(1) of the Health and Safety Code, a redevelopment agency may use housing trust funds to provide low- and moderate-income housing outside the redevelopment project from which the tax increment funds are drawn if the redevelopment agency and the legislative body of the community determine that this use of funds will be of benefit to the project area; and

WHEREAS, the use of BH Replacement Housing Trust Funds in the Ct Redevelopment Project Area for the for Alexandria Hotel at 501 West Fifth Street will benefit the BH Project Area because such use of funds will fulfill the BH Redevelopment Plan goal to "stabilize residential communities, provide affordable housing for low-wage workers, and induce private investment in these areas that, in turn, helps to stabilize the economy of Downtown Los Angeles"; and

WHEREAS, the use of Bunker Hill Replacement Housing Trust Funds in the amount of \$475,000 in connection with the resolution of the litigation in Woods et al. v. CRA/LA (Federal Dist. Court No. CV-07-08262-MMM (JWJx)) will allow for the preservation and continued operation of affordable housing at the Alexandria Hotel in the CT Redevelopment Project Area.

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

The CRA/LA and the City hereby find, determine and resolve that the use of these funds in the amount of \$475,000 outside the Bunker Hill Redevelopment Project is of benefit to the Bunker Hill Redevelopment Project, and that the expenditure of these funds for this purpose will assist in achieving the redevelopment goals of the Bunker Hill Redevelopment Project to stabilize residential communities, provide affordable housing for low-wage workers, and induce private investment in these areas that, in turn, helps to stabilize the economy of Downtown Los Angeles; and that this expenditure of funds is consistent with the Five Year Implementation Plan for the Redevelopment Project.

Adopted: \_\_\_\_\_