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HOUSING AND HOMELESSNESS

MOTION

The Manitou Vistas project consists of two properties, Manitou Vistas I (MV-I) and Manitou Vistas II (MV-II) (collectively Projects), located in Council District 14. MV-I is a 48-unit building with a common address of 3420 Manitou Avenue, and MV-II is a 21-unit building with a common address of 3414 Manitou Avenue. All units in both properties are four bedrooms and two bathrooms. Affordability restrictions include 47 (98 percent) restricted units on MV-I and 20 (95 percent) restricted units on MV-II, totaling 67 affordable restricted units, with the remaining two being manager's units. While owned and operated by separate entities, the Projects function as one property, with shared amenities and on-site management. In 2006, the City provided a loan to MV-I in the amount of $2,504,918 (HOME and Work Force Housing Program funds) and a loan to MV-II in the amount of $1,519,500 (CDBG funds).

The Projects were developed by Advanced Development Inc. (ADI) between 2006-2008. In 2012, due to numerous violations and defaults by each owner, ADI was removed and replaced with new owners, including Manitou Vistas LP (MV-I) and Manitou Vistas II, L.P. (MV-II) (Borrowers). Since then, the Projects have experienced financial distress brought on mainly by diminishing oversight which has resulted in built-up deferred maintenance and high operational costs, resulting in the Borrowers pursuit of divestment of MV-I and MV-II. At the same time, the Projects failed to make debt service on their senior loans and are in the process of being foreclosed. The Borrowers contacted the Housing Department (LAHD) and stated their desire to immediately divest their portfolio holdings in California which included the two Manitou properties by sale, or allow the lenders to complete their foreclosure actions.

Based on the short time frame of the lender's foreclosure actions and potential loss of 67 units of affordable housing, the LAHD contacted the Housing Authority of the City of Los Angeles (HACLA) to assess interest in preserving the housing units. HACLA responded positively and has proposed an acquisition and preservation plan that includes acquiring both properties, completing significant repairs of deferred maintenance and other necessary improvements, and extending the affordability by 55 years. HACLA has reached an agreement with the seller to purchase MV-II with a target closing date of October 31, 2025, and is actively negotiating the purchase of MV-I. Given the fast-approaching foreclosure sale and cure period deadline, the City should amend its loan terms to effectuate the sale to HACLA and most importantly, to preserve the 67 affordable units.

The proposed loan terms for the restructure on the Projects include: (1) Extension of the loan terms and affordability restrictions with new 55 year terms; (2) Reduction in interest rates from 6.5 percent (MV-I) and 6 percent (MV-II) to 3 percent simple interest; (3) Waiver of all accrued interest through closing date (current estimates are $4,719,571 for MV-I, and $2,173,605 for MV-II); (4) Revisions to Residual Receipts structure to include a reduced split of 25 percent City/75 percent HACLA with 100 percent of Residual Receipts funds placed into replacement reserve account until earlier of (i) 10 years or (ii) until a capital event occurs. Starting in year 11 the split will continue at 25 percent City and 75 percent HACLA without the replacement reserve restrictions. In the event of a capital event defined as resyndication, any sale, transfer, refinance, or request for subordination of LAHD debt the Residual Receipt split would be 50/50; and 5)

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Revised affordability on MV-II from the original 10 units (1 unit at 30 percent AMI, 1 unit at 40 percent AMI, 5 units at 50 percent AMI, and 3 units at 60 percent AMI) and increasing the affordability to 20 units (2 units at 30 percent AMI, 2 units at 40 percent AMI, 10 units at 50 percent AMI, and 6 units at 60 percent AMI), which matches the Tax Credit Allocation Committee affordability restrictions.

I THEREFORE MOVE that Council authorize the General Manager of LAHD, or designee, to:

A. Approve the sale of the Manitou Vistas I (MV-I) located at 3420 Manitou Avenue and Manitou Vistas II (MV-2) located at 3414 Manitou Avenue (collectively Projects) to an entity created by the Housing Authority of the City of Los Angeles (HACLA), named New Way Home Corporation, a California non-profit public benefit corporation, as Borrower, owner and operator of the Projects.

B. Assign the existing Projects loans in the amount of $2,504,918 and $1,519,500 to New Way Home Corporation and negotiate and execute new loan agreements and related documents, as required, all subject to compliance with the Health & Safety Code (HSC) Regulations, and City Attorney review and approval, as appropriate.

C. Amend the Projects loan agreements to extend the loan term and affordability restrictions with a new 55 year term, reduce the interest rate to three percent simple interest, and forgive all accrued interest through the closing date; and revise the Residual Receipts structure to include a reduced split of 25 percent City and 75 percent HACLA with 100 percent of Residual Receipts funds placed into replacement reserve account until the earlier of (i) 10 years or (ii) until a capital event occurs. Starting in year 11 the split will continue at 25 percent City and 75 percent HACLA without the replacement reserve restrictions. In the event of a capital event defined as resyndication, any sale, transfer, refinance, or request for subordination of LAHD debt the Residual Receipt split would be 50/50; and

D. Revise the affordability restrictions on MV-II from the original 10 units to 20 units, with two units at 30 percent AMI, two units at 40 percent AMI, 10 units at 50 percent AMI, and six units at 60 percent AMI, which matches the Tax Credit Allocation Committee affordability restrictions, subject to the approval of the City Attorney.

PRESENTED BY: ______________________
YSABEL JURADO
Councilmember, 14th District

SECONDED BY: ______________________

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