



July 6, 2026

Council File: NEW  
Council Districts: 10, 15  
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Honorable Members of the City Council  
City of Los Angeles  
c/o City Clerk, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY TO AMEND LOAN AGREEMENTS FOR AVALON TERRACE/NICOLET APARTMENTS TO REHABILITATE THE PROPERTY**

**SUMMARY**

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests authority to combine and amend the terms of the loan agreements for Avalon Terrace/Nicolet Apartments for the purpose of obtaining new financing to rehabilitate the project and providing additional years of affordability in 38 restricted units. This report outlines the authorization necessary to combine the loan agreements and amend the terms of the combined loan agreements.

**RECOMMENDATIONS**

- I. That the City Council, subject to the approval of the Mayor:
  - A. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute all documents required for Avalon Terrace/Nicolet Apartments per the terms of the loan agreement or as set forth herein;
  - B. INSTRUCT the City Attorney to prepare all necessary documents, including but not limited to a recasting of project debt and modification of a loan agreement (and/or amendments and restatements of any necessary documents) to preserve and support affordable housing projects on the Avalon Terrace/Nicolet Apartments property.

**BACKGROUND**

On January 22, 2025, Avalon Nicolet Housing, L.P. (the "Partnership", Buyer), was formed to purchase and operate the Avalon Terrace/Nicolet Apartments Project (the Project) from Avalon Nicolet Family Apartments,

L.P. (the Seller and Owner). The Partnership consists of Pacific Southwest Community Development Corporation (PSCDC) a California nonprofit public benefit corporation, as the Managing General Partner; and Avalon Nicolet Apartments, LLC, a California limited liability company, as the Co-General Partner. The Project is located across two sites; 451 East 120th Street, Los Angeles, CA 90061 and 4027 and 4033 Nicolet Street, Los Angeles, CA 90008. All units are designated to serve low-income families ranging from 35% to 50% AMI. The unit configurations consist of thirty-eight (38) units, comprising two-bedroom and three-bedroom units.

The buyer's team is well-positioned and well-tenured in their experience to successfully handle all aspects of operations and regulatory compliance, pertaining to the Avalon Terrace/Nicolet Apartments Project. The Managing General Partner (MGP) has more than 20 years of experience working with affordable housing projects. Since 1993, the MGP has worked with 84 properties totaling 8,838 affordable units. Foster Hamilton Corporation, a California limited liability company, an affiliate of the Co-General Partner is a real estate company specializing in multifamily assets in need of rehabilitation and preservation. Sherman Property Management, as the Property Management Company, has over 27 years of property management experience for affordable housing projects that have received Low Income Tax Housing Credits (LITHC) and funding from the Department of Housing and Urban Development (HUD).

The Project has two existing loans with LAHD: one loan (BA0546) was issued to the seller and owner and the other loan (BA0547) was issued to Ausar Economic Development Corporation (the Developer). In order to execute the legal purchase of the project, LAHD will need to complete an Assignment and Assumption and provide Consent Agreements for both loans.

BA0546 was funded with \$456,812 of Community Development Block Grant (CDBG) funds with a 3% simple interest rate and a 40-year repayment period through an interest-bearing amortized loan. This loan is set to mature on June 13, 2040. BA0547 was funded with \$897,498 of Community Development Block (CDBG) funds with a 5% simple interest rate and a 40-year repayment plan through a residual receipts loan. This loan is set to mature on June 13, 2040. The regulatory agreement for the Project is for fifty (50) years and will mature on July 13, 2050.

As of June 18, 2026, the outstanding LAHD debt for BA0546 including principal and interest, is approximately \$641,848. As of June 18, 2026, the outstanding LAHD debt for BA0547 is \$1,916,746.

As a condition of receiving new financing for acquisition funds from Fannie Mae, Greystone Servicing Company, LLC (the Lender), a Delaware limited liability company, is requiring LAHD to amend BA0546 to a residual receipts loan from an interest-bearing amortized loan. To satisfy the lender's underwriting requirements, the buyer would like to reduce interest rates to zero percent (0%) for both LAHD loans, extend the current maturity date an additional 20 years for both LAHD loans, and extend LAHD's regulatory agreement an additional 20 years.

### Request

For Avalon Terrace/Nicolet Apartments, LAHD is requesting authority to combine the existing loans, extend the loan term for the combined loan, and extend the regulatory agreement to allow the buyer to obtain new financing from the lender to rehabilitate the project. The proposed changes to the existing LAHD loan terms as follows:

- Combine the existing LAHD loan agreements into one (1) residual receipts loan agreement.
- Allow the loan to be assumed by Avalon Nicolet Housing, L.P., which will consist of Pacific Southwest Community Development Corporation as the Managing General Partner; and Avalon Nicolet Apartments, LLC as the Co-General Partner.
- Revise the interest rate for the combined loan to zero percent (0%).
- Extend the loan maturity date of the combined loan, by twenty (20) years from June 13, 2040 to June 13, 2060.
- Extend the regulatory agreement (covenant agreement) expiration date by twenty (20) years from July 13, 2050 to July 13, 2070.
- Revise the replacement reserve amount to \$13,300 per year (based upon \$350/unit/year for rehabilitation projects).
- Complete any other technical adjustments that may be required or deemed appropriate by the Office of the City Attorney.

### Analysis

Fannie Mae's policy does not allow hard subordinated debt. As such, LAHD's interest-bearing amortized loan will not allow the buyer to obtain financing from Fannie Mae. In order to comply with Fannie Mae's policy, LAHD is proposing to merge both loans into a residual receipt loan for the buyer to receive funding from Fannie Mae and reduce the interest rate of the combined loan to zero percent (0%). In turn, the buyer will extend the existing LAHD affordability covenants by an additional 20 years.

Modifying the loan documents to extend the maturity date and revising the interest rate for both loans will allow the project to generate an increased cash flow; thereby, repaying its existing LAHD debt quicker and extending its affordability longer. Overall, this will preserve and extend affordability without the City expending more funds. The opportunity to preserve affordable housing for the next 44 years outweighs LAHD's interest in being repaid its outstanding loan in the near future.

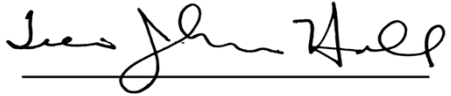
By receiving the funding from Fannie Mae for rehabilitation, the project will be able to complete a soft-story retrofit, reduce the risk of fire by improving the electrical panels and breakers, elevator improvements, and additional maintenance needs which improves the habitability, life, and safety of the project and brings more stability for tenants.

In conclusion, the requested loan modifications will provide new financing to enhance the operations and lifespan of the Avalon Terrace/Nicolet Apartments. LAHD recommends consolidating, extending, and amending the existing loan agreement to provide very low income families with safe and stable housing for the next 44 years, with annual residual receipt payments to the City.

### FISCAL IMPACT

There is no impact to the General Fund.

Approved By:

A handwritten signature in black ink, appearing to read "Tiena Johnson Hall", written over a horizontal line.

TIENA JOHNSON HALL  
General Manager  
Los Angeles Housing Department