

MEMORANDUM

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DATE: MAY 15, 2008 C93660

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR
CHRISTINE KALAMAROS, SR. REAL ESTATE DEVELOPMENT AGENT
JENNA GULAGER, ASSISTANT PROJECT MANAGER

SUBJECT: ACQUISITION LOAN AGREEMENT IN THE AMOUNT OF \$250,000 WITH PARA LOS NIÑOS FOR THE PURCHASE OF THE PROPERTY LOCATED AT 5054 SOUTH VERMONT AVENUE FOR A PRESCHOOL AND CHILDCARE CENTER IN THE COUNCIL DISTRICT NINE CORRIDORS SOUTH OF THE SANTA MONICA FREEWAY RECOVERY REDEVELOPMENT PROJECT AREA DOWNTOWN REGION (CD9)

COMMITTEE REVIEW: LOAN COMMITTEE, MARCH 5, 2008

RECOMMENDATIONS

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

1. Authorize the Chief Executive Officer or designee to execute an Acquisition Loan Agreement in the amount of \$250,000 (the "Loan Agreement") with Para Los Niños to purchase the property located at 5054 South Vermont Avenue for the continued operation of a preschool and childcare facility offering services to low-income households, and to take such other actions as may be necessary to carry out the transaction;
2. Authorize the subordination of the CRA/LA Deed of Trust and Covenants to the primary lender on the project.
3. Amend the FY08 budget and work program to transfer \$250,000 from budgeted line item "Response to Development" to budgeted line item "Community Facilities/Public Improvement."

SUMMARY

The recommended actions will allow Para Los Niños (PLN), a California nonprofit, to purchase the property at 5054 South Vermont Avenue (the "Site", See Attachment A), for the continued operation of the Vermont Avenue Child Development Center. This project will further the CD9 Project Area's goal of maintaining private investment in community facilities and providing services for low income residents of the CD9 Project Area. Para Los Niños ("the Borrower"), has entered into a purchase and sale agreement for the Site for the total purchase price of \$1.5 million, which they currently lease and use to operate a preschool and childcare facility serving 96 children of low-income households.

The Site is 13,591 square feet and is improved with a two-story, 6,812 square foot building that houses a preschool and day care facility. The building is in good and operable condition. In May 2007, the Borrower, brought a proposal to the CRA/LA requesting an acquisition loan for the purchase of the Site. The total appraised value is \$1,500,000 and the negotiated purchase price of the Site is \$1,500,000. CRA/LA's \$250,000 Acquisition Loan is necessary to provide the equity, and CRA/LA funds will be combined with a conventional loan of \$1,250,000 to complete the purchase. The Borrower anticipates closing escrow by June 27, 2008.

Each Para Los Niños center is singularly funded and is operated as a separate revenue center. The Vermont Center is a small budget operation. In order to ensure the best use of funds and to keep the maximum number of enrollment, their operating budget is not sufficient to fund the equity portion of the acquisition. PLN has been leasing the Site since they opened in 1998. However the owner of the Site recently announced the intention to sell. The current lease is near its term putting PLN at risk of potentially losing the Site. Acquisition of the Site will eliminate threats to the viability of their continued operation resulting from rent increases. PLN considered applying for CDBG funding for the acquisition. However, the timing would not work with the owner's imposed closing deadline. Further, due to the federal budget cuts to the CDBG operation, funds are highly competitive. PLN had low probability of being awarded CDBG funds.

The Acquisition Loan is structured as a service repayment loan with a 5-year term. Upon completion of the acquisition, Borrower shall continue to operate a preschool program and offer childcare services onsite, serving up to 96 children of low-income households, annually, for a period of at least five (5) years. For each year that the qualifying services are provided, CRA/LA shall consider one-fifth (1/5) of the Loan principal plus interest repaid. The Borrower must provide 5 years of qualifying services for the entire 5-year period for the loan to be fully repaid.

As part of the loan underwriting process, an Environmental Phase I study was ordered and conducted. The Phase I report found a potential for intrusion of gasoline vapors into the building due to site's past use as a fuel business in the 1920's and the past use of a neighboring site as a gas station from the 1920's through the 1970's. A Phase II Soil Gas Survey was completed on April 16, 2008. Based on the results of the Phase II testing, there is no evidence of vapor intrusion into the building, therefore, no further environmental work is recommended for this site.

SOURCE OF FUNDS

CD9 Project Area Tax Increment

PROGRAM AND BUDGET IMPACT

The recommended actions are consistent with the FY08 Budget and Work Program for the CD9 Project Area. Approval of the transfer of \$250,000 will amend the FY08 budget to reduce budgeted line item "Response to Development Opportunities" and to increase budgeted line item "Commercial Facilities/Public Improvements" by said amount.

ENVIRONMENTAL REVIEW

The recommended action is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article VII 1. a. of the CRA/LA CEQA guidelines.

BACKGROUND

Para Los Niños is a nonprofit family service organization designed to bring children from some of Los Angeles' most challenging communities out of poverty and into brighter, more successful futures. Para Los Niños opened its doors in 1980 in response to the plight of children living in Skid Row hotels. Today, in its 27th year of operation, Para Los Niños assists low-income children, youth, and families from 21 sites in some of Los Angeles and San Bernardino Counties' most impoverished neighborhoods.

Para Los Niños has many child and youth programs. The core services provided at the Vermont Site will include Child Development & Preschool Programs – Education and Care for Children Ages 3 to 5 years and Family Services.

In response to the closure of a large Head Start program serving the Jefferson Park and Baldwin Village communities, Para Los Niños opened its first center in South Los Angeles, the Vermont Avenue Child Development Center, in 1998. The Center, located at 5054 S. Vermont Avenue, provides high-quality, professional, full-day care to 96 children ages 3 to 5, weekdays from 7:00 a.m. to 5:00 p.m. Services are provided on a sliding scale; however, nearly all children receive services free of charge as a result of extreme family poverty. The Center maintains a ratio of one adult to every four toddlers, and one adult to every eight preschoolers. All teachers have BA or AA degrees and California State teaching permits. The Center offers children the highest standard of care, including the following:

- Bilingual staff who prepare children to succeed in English-language elementary school classrooms;
- Curriculum based on the Creative Curriculum for Preschool, enhanced with elements of the Reggio Emilia approach¹;
- Access to Para Los Niños' continuum of care, including emergency and long-term family support services, and a variety of educational materials and workshops on parenting, literacy, and other topics.

The recommended Acquisition Loan is part of an effort to create a multigenerational housing and services support center in the Vermont Corridor area of the CD9 Project Area. According to the City's Department of Aging, this area has the highest rate of "kinship care," or grandparents acting as the primary caregiver for grandchildren. Staff has been working to identify an appropriate site for development of an affordable housing project that will cater to this unique

¹ The Reggio Emilia philosophy is based upon the following set of principles: Children must have some control over the direction of their learning; children must be able to learn through experiences of touching, moving, listening, seeing, and hearing; children have a relationship with other children and with material items in the world that children must be allowed to explore; and children must have endless ways and opportunities to express themselves.

family situation, and to couple a kinship care housing development with supportive services, including childcare services, case management and other family support services. Para Los Niños' Vermont Avenue Child Development Center offers an opportunity for future partnerships with a kinship care housing development and CD9 Project Area staff has identified the neighboring blocks as an opportunity site for this long term development.

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 – Site Map