

MEMORANDUM

13

DATE: AUGUST 6, 2009 MC1470

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: CAROLYN HULL, REGIONAL ADMINISTRATOR
WILLIAM CHUN, PROJECT MANAGER
ERICA DUKES, HOUSING FINANCE OFFICER

SUBJECT: LOAN AGREEMENT WITH AMCAL MULTI-HOUSING, INC. IN AN AMOUNT NOT TO EXCEED \$1.8 MILLION FOR DEVELOPMENT OF BROADWAY VILLAS, AN AFFORDABLE SENIOR HOUSING PROJECT AT 9402 - 9422 SOUTH BROADWAY IN THE BROADWAY/MANCHESTER RECOVERY REDEVELOPMENT PROJECT AREA
SOUTH LOS ANGELES REGION (CD8)

LOAN COMMITTEE REVIEW: APPROVED JULY 29, 2009

RECOMMENDATIONS

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

1. Authorize the Chief Executive Officer ("CEO") or designee to execute a Loan Agreement with AMCAL Multi-Housing, Inc. in an amount not to exceed \$1.8 million ("Loan Agreement") and to take such other actions necessary to carry out that Agreement which facilitates development of the affordable housing project "Broadway Villas" at 9402 – 9422 South Broadway in the Broadway/Manchester Recovery Redevelopment Project Area ("Project Area"); and
2. Adopt a Resolution which: (i) finds that an economically feasible alternative of financing said project on substantially comparable terms without subordination of the CRA/LA Deed of Trust and other agreements which secure the Loan Agreement, is not reasonably available; and (ii) authorizes subordination of the CRA/LA Deed of Trust and other agreements to the construction and permanent loans provided to said project;

SUMMARY

The recommended actions are needed to provide approval of a loan not to exceed \$1.8 million to AMCAL Multi-Housing, Inc. ("Developer") for development of a 48-unit affordable rental housing project for seniors to be known as Broadway Villas ("Proposed Project"). This Proposed Project will be located on an approximately 0.7 acre parcel on the southeast corner of 94th Street and Broadway ("Site"). The Project Area map showing the Site is on Attachment "A" hereto.

The loan will be evidenced by a 57-year residual receipts promissory note in favor of CRA/LA in the amount of the purchase price for the Site. No funds are to be disbursed by CRA/LA. The loan shall close concurrently with the close of escrow and construction financing, when certain conditions are met. The loan will be subordinated to the conventional lender(s) during the construction and permanent loan period.

Following approval of the recommended actions, staff will return to the Board of Commissioners ("Board") to seek approval to terminate the existing Disposition and Development Agreement ("DDA") and seek approval for a new DDA for the Proposed Project. An earlier DDA with West Angeles South Broadway Estates, LLC for a 50-unit market rate single-family home project on the Site was approved by the Board on May 17, 2007 ("Original Project"). The closing of the Loan under this Loan Agreement is contingent on Board and City Council approval of a new DDA, which is anticipated prior to the end of 2009.

The Proposed Project's financing consists of conventional financing (construction and permanent loan), 9% tax credits, and a Prop 1C Infill Infrastructure Grant. The Proposed Project Sources and Uses chart is on Attachment "B" hereto. It is expected that construction will commence in February 2010.

RE

May 17, 2007 – Public hearing and various actions related to Disposition and Development Agreement with West Angeles South Broadway Estates, LLC for sale of Agency owned land at a purchase price of \$3,030,000 for development of 50 single family units located at southeast corner of 94th Street and Broadway in Broadway/Manchester Recovery Redevelopment Project

October 6, 2005 – Agency approval of execution of Exclusive Negotiation Agreement with West Angeles Community Development Corporation/AMCAL Multi-Housing, Inc. /Genesis Workforce Housing Funds for purchase and development of Agency owned property at southeast corner of 94th Street and Broadway in Broadway/Manchester Recovery Redevelopment Project

SOURCE OF FUNDS

No CRA/LA funds are required for these actions. Bunker Hill Replacement Housing Funds were used to acquire the Site in 1992.

PROGRAM AND BUDGET IMPACT

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

ENVIRONMENTAL REVIEW

The Proposed Project is exempt from the provisions of the California Environmental Quality Act ("CEQA") pursuant to Division 13, Section 21159.23 of the California Public Resources Code (Exemption for Affordable Low-income Housing), and Section 15332 (In-Fill Development Projects) of the California Code of Regulations ("CEQA Guidelines").

BACKGROUND

The Proposed Project

The Proposed Project is a mixed use development consisting of a three story residential building that slopes down to a two story building (with 3,000 sq. ft. of retail space) fronting Broadway on the Site. The Proposed Project site plan is on Attachment “C” hereto. The Project will contain 48 units (one and two bedrooms) which target senior citizens earning 30% AMI – 60% AMI. The Proposed Project will feature subterranean parking at the Site for residents and 12 on-grade parking spaces for the retail space. Additionally, it will have office space, a 1,400 sq. ft. community room, and landscaped courtyard at ground level.

The Proposed Project will be located in one of the most economically distressed areas of the South Los Angeles Region near the epicenter of the 1992 civil disturbances. This area, the Broadway/Manchester Recovery Redevelopment Project Area, has been economically stagnant for the last 17 years since the disturbances. It is anticipated this Project will spur development and provide much-needed affordable housing in the Project Area.

The Site previously housed the Broadway Hospital until its closure in 1988. Between 1992 and 1993, CRA/LA used Bunker Hill funds to acquire property adjoining the Site bounded by 94th Street to the north, Colden Avenue to the south, Spring Street to the east, and Broadway to the west. The total size of this purchased property is 4.2 acres. CRA/LA assisted with development of two affordable housing projects adjacent to the Site: Colden Oaks Family Housing (38 units) and Joseph Lee Jr Senior Housing Project (46 units). CRA/LA currently owns the remaining undeveloped 2.7 acre site.

The Original Project

In December 2004, CRA/LA issued a Request for Proposals (“RFP”) for residential development of the Site. In October 2005, the Board approved execution of an Exclusive Negotiation Agreement (“ENA”) with the winning respondent, culminating in Board approval of a DDA with the West Angeles South Broadway Estates, LLC (comprised of AMCAL and West Angeles CDC) in May 2007. This DDA provided for CRA/LA conveyance of the Site to West Angeles South Broadway Estates, LLC for \$3.03 million for development of 50 single-family market-rate detached homes (“Original Project”). Subsequent to City Council approval of the DDA, West Angeles South Broadway Estates, LLC notified CRA/LA that the purchase price of \$3.03 million rendered the Original Project infeasible due to rapidly declining housing values, and the lack of demand for homeownership housing. Thus, CRA/LA retained ownership of the Site and has worked with West Angeles South Broadway Estates, LLC to devise an alternative to the Original Project that is financially feasible. That alternative is the Proposed Project.

To finance the Proposed Project, AMCAL with the CRA/LA, applied for (and was awarded in May 2009), a \$1.9 million Infill Infrastructure Grant from the Proposition 1C program administered by the State Department of Housing and Community Development (“HCD”). AMCAL also applied for 9% low income housing tax credits from the California Tax Credit Allocation Committee (“TCAC”). The recommended actions allow AMCAL to transmit its loan commitment to TCAC by the August 17, 2009 deadline.

The Land Use Designations of the Site

The 2.7 acre Site has underlying zoning of C2-1 and RD 1.5-1 and is located in the City’s Southeast Los Angeles Community Plan area. That Community Plan designates the Site as

General Commercial with corresponding zones of CR, C1.5, C2, P and RAS3; and Low Medium II Residential with corresponding zones of RD1.5, RD2, RW2, RZ 2.5. Both the City zoning and Community Plan use designations of the Site allow the Proposed Project thereon with its uses and parking described above. On May 17, 2007, the Board approved residential uses on the Site, which is designated for Open Space/Public Use by the Redevelopment Plan for the Project Area. Thus, the Site is fully entitled to build the proposed housing under City and Redevelopment Plan rules.

The Developer of the Proposed Project

AMCAL was founded in 1978 and is based in Agoura Hills. AMCAL is one of the largest low-income housing tax credit and affordable housing developers in California. For more than three decades, AMCAL has developed quality market-rate and affordable housing throughout California. Specializing in for-sale and rental affordable family and senior housing, AMCAL has developed, or is currently in the planning process of building and developing more than 2,570 units throughout California. The affiliated group of AMCAL companies includes acquisitions and development personnel and a general contracting division. The Developer is a business entity controlled by AMCAL, and formed to build the Proposed Project on the Site.

The Board recently approved separate loan agreements with AMCAL in the amount of \$5.2 million for the Mosaic Affordable Housing Development in the Hollywood and Central Region, \$0.89 million for the Sunrise Apartments in the Downtown Region and \$3.8 million for the Montecito project in East Valley.

The Redevelopment and Strategic Plan Goals

The Proposed Project will implement the following objectives of the CRA/LA Strategic Plan 2.1.1 (Build Better Housing – complete construction of at least 5,500 units of affordable housing in Redevelopment Project areas by June 30, 2014). Due to the size of the Proposed Project and the CRA/LA loan to finance it, the following CRA/LA policies will apply: Prevailing Wage, Living Wage, Construction Careers, Responsible Contractor, Service Worker Retention and Equal Benefits. The Proposed Project supports Strategic Plan 1.1.1 and 1.1.2.

The Proposed Project Financing

The Project will be financed with a combination of syndicated 9% tax credit investment, Prop 1C Infill Infrastructure Grant, the CRA/LA Loan recommended herein, along with permanent and construction loan funds from a conventional lender. A financing plan has been submitted to the CRA/LA by the Developer. Developer will be required to submit a final financing plan, including Project Sources and Uses, for CRA/LA approval prior to the start of construction. The Proposed Project Sources and Uses is on Attachment “B” hereto.

The Proposed CRA/LA Loan

The recommended actions will allow CRA/LA to transmit its loan commitment to TCAC by its August 17, 2009 deadline. At a later date, staff will seek Board approval to terminate the existing DDA and execute a new DDA for the Proposed Project that will memorialize the deal terms in the Loan Agreement and the conveyance terms for the Site. It is anticipated the Developer will acquire the Site, with CRA/LA financing the purchase price of \$1.8 million by accepting a residual receipts promissory note in that amount. Closing of the CRA/LA Loan will require certain conditions to be met including, but not limited to, (i) Board approval of the new DDA after a noticed public hearing, (ii) approval of all debt and equity sources needed for

construction of the development, (iii) the conditional commitment of all permanent sources needed for the development to be financially feasible for the duration of the term of the covenants as set forth in the Agreement Containing Covenants, (iv) the final construction drawings have been submitted to and approved by the CRA/LA staff, (v) the statement of final construction costs has been submitted to and approved by the CRA/LA staff, (vi) concurrent closing of construction financing (vii) all other CRA/LA requirements and (viii) the final Construction Schedule has been submitted to and approved by staff.

The Authority Granted to CEO or Designee

If the Loan Agreement is approved, the CRA/LA Chief Executive Officer or designee would be authorized to take such actions as may be necessary to carry out the Agreement, including, but not limited to, executing the CRA/LA Loan Documents to be executed by CRA/LA and taking the following actions: (1) approving revisions to the Project Budget, so long as the changes do not increase the amount of the CRA/LA Loan or otherwise have a material adverse impact on the feasibility of the Project, as specified in Section 3.4; (2) negotiating and executing subordination agreements meeting the requirements of California Health and Safety Code Section 33334.14, and making reasonable modifications to the CRA/LA Loan Documents that may be requested by any Senior Lender or Tax Credit Equity Investor, so long as such changes do not adversely affect the receipt of any material benefit by CRA/LA; (3) negotiating and executing Inter-creditor Agreements with and Estoppel Certificates to other lenders, to the extent such Inter-creditor Agreements and Estoppel Certificates are consistent with the terms of the Loan Agreement; and (4) approving certain non-material revisions to the terms of the Loan Agreement reasonably requested by a Permitted Lender or Tax Credit Equity Investor.

The Proposed Loan Subordination

State law permits a redevelopment agency to subordinate its Deed of Trust and income and use restrictions to a private lender's financing where an economically feasible alternative method of financing the project on substantially comparable terms and conditions is not available without subordination, and where the private lender agrees to specific notice and cure provisions. Subordination of the CRA/LA Deed of Trust, housing covenants and use restrictions is required by the construction and permanent lenders as a condition of funding their respective loans. Prior to agreeing to such subordination, CRA/LA will require that the Subordination Agreement contains the notice and cure provisions such as the following which reasonably protect CRA/LA's investment in the event of the Developer's default under any of the senior loans (see Attachment E hereto – the Subordination Agreement):

1. A right of CRA/LA to cure a default on the loan;
2. negotiate with lenders after a Notice of Default has been issued by the lender;
3. purchase the Proposed Project from the Developer at any time after a default on the loan; and
4. An agreement that if, prior to foreclosure on the loan, CRA/LA takes title to the Proposed Project and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to CRA/LA.

The CRA/LA loan, housing covenants and use restrictions will be subordinated to those of the construction and permanent lenders where required.

Councilmember Bernard C. Parks is in support of the recommended actions.

Cecilia V. Estolano
Chief Executive Officer

by

Glenn F. Wasserman
Chief Executive Officer

West Angeles Community Development Corporation ("West Angeles CDC") is an affiliate of the entity that executed the DDA for the Original Project. Commissioner Lula Bailey Ballton, executive director of West Angeles CDC, has disqualified herself from any participation concerning this matter and has not participated in this matter in any way. Other than that, there is no conflict of interest known to me that exists with regard to any CRA/LA officer or employee concerning this action.

Attachments:

- A – Site Map
- B – Sources and Uses
- C – Site Plan
- D – Affordability Requirements
- E – Subordination Resolution