

REPORT TO CRA/LA BOARD OF COMMISSIONERS

ON

ANNUAL PROGRESS THROUGH 2009 AND ONGOING CRA/LA EFFORTS
TOWARDS IMPLEMENTING THE WIGGINS SETTLEMENT AGREEMENT

CITY CENTER REDEVELOPMENT PROJECT AREA
DOWNTOWN REGION (CD #9 and #14)

February 18, 2010
(Issued to Plaintiffs on February 9, 2010)

PURPOSE

To present the Annual Report on the progress through 2009 and ongoing CRA/LA efforts towards implementing the requirements of the Settlement Agreement to Wiggins, et al v. Community Redevelopment Agency of the City of Los Angeles, City of Los Angeles, et al regarding the adoption of the City Center Redevelopment Plan in 2002. This report is divided into three segments as follows:

- I. 2009 Annual Progress Report
- II. Ongoing Efforts toward Implementing the Housing Provisions
- III. Ongoing Efforts toward Implementing the Jobs Provisions

BACKGROUND

On June 15, 2006, the CRA/LA Board of Commissioners approved a Settlement Agreement with the Los Angeles Coalition to End Hunger and Homelessness, Jerome Wiggins, Joy Pearson, and the Figueroa Corridor Coalition for Economic Justice (collectively the "Plaintiffs" with further references indicating the Plaintiffs Advisory Committee) who sought to invalidate the City Center Redevelopment Plan alleging among other things that, although the Project Area was blighted and in need of redevelopment, the Redevelopment Plan did not adequately address the preservation and production of housing serving low- and very low-income households. The Settlement Agreement provides for local hiring, replacement housing and relocation programs that in many situations go beyond existing state and federal law requirements. The Settlement Agreement requires an Annual Report regarding progress on implementing the requirements of the Settlement Agreement. The Report must contain a list of all housing developed and rehabilitated by the CRA/LA and the income levels served; a list of anticipated affordable housing production; a list of all units anticipated to be demolished or converted to market rate housing; a list of all units demolished or converted; a list of all tenants permanently relocated as a result of CRA/LA assisted projects or displaced by private activity; a list of all projects subject to local hiring and employment training in accordance with the Settlement Agreement; a report on funding made available for job training programs; and copies of all replacement housing, relocation assistance and local hiring plans approved during the prior year.

Additionally, on June 15, 2006, the CRA/LA Board of Commissioners adopted Development Guidelines and Controls for Residential Hotels in the City Center and Central Industrial Redevelopment Project Areas ("Development Guidelines" or "Guidelines"). The intent of the Guidelines is to restrict the use and redevelopment of Downtown residential hotels in order to preserve "housing of last resort" for extremely low income persons, provide for one-for-one replacement of residential hotel units when demolition or conversion to market rate housing is proposed, and prevent or mitigate the hardship that results from the displacement of lower income households when residential hotels are demolished or converted to market-rate housing or non-housing uses.

It should also be noted that the challenges to the City Center Redevelopment Plan were resolved in 2008 as a result of the settlement between the CRA/LA and the County of Los Angeles of the County's reverse validation actions. During the five-year period that the City Center Redevelopment Plan had been the subject of the reverse validation action by the County, the CRA/LA had continued to operate a work program in City Center using General Revenue, grants, developer proceeds and Bunker Hill Housing Trust Funds with the approval of

a Finding of Benefit for each project receiving the funding. Under the terms of the consolidated settlement agreement approved by the CRA/LA Board on April 3, 2008, the CRA/LA will receive tax increment only for those parts of the City Center Project Area not previously part of the original Central Business District Project Area. The expectations are that most of the tax increment generated will be programmed for affordable housing rehabilitation and production.

I. 2009 ANNUAL PROGRESS REPORT

Section 6 of the Wiggins Settlement Agreement obligates CRA/LA staff to provide the CRA/LA Board and the Plaintiffs with an annual report regarding progress on implementing the Agreement no later than January 30 of each year. By mutual agreement, the 2009 Report was delayed by one week so the Plaintiffs could review an initial draft and provide comments to CRA/LA staff. The progress made during the 2009 calendar year is provided below, organized per the instructions under Section 6 of the Settlement Agreement.

1. Completed Housing Units

Requirement: A list itemizing all units developed or rehabilitated during the preceding year within the Project Area with CRA/LA financial assistance or subject to a CRA/LA agreement (“CRA/LA assistance”).

2009 Progress: The new or rehabilitated affordable housing units identified below were completed within the City Center Project Area with CRA/LA assistance in 2009:

- Alexandria Apartments (501 S. Spring St.): Acquisition, preservation and rehabilitation of the historic Alexandria Hotel by developer Amerland and non-profit Pacific Housing, Inc. as the Managing General Partner. The Alexandria had been operated as a 463-unit residential hotel using market-driven rates; the building needed repair and lacked effective management, as demonstrated by numerous police calls, building citations and tenant complaints. The project consists of 463 units overall, including 461 affordable units (433 singles and 28 one-bedroom) and 2 manager units. CRA/LA participation in this project includes the issuance of up to \$35,000,000 in tax-exempt bonds authorized by the CRA/LA Board on July 20, 2006, and a \$11,900,000 permanent loan to purchase deeper affordability, which was first initiated by the Permanent Loan Commitment Letter authorized by the CRA/LA Board on March 16, 2006, five months prior to the effective date of the Wiggins Settlement Agreement; the CRA/LA Board authorized the Permanent Loan Agreement on February 5, 2009. 55-year covenants recorded by the CRA/LA as a result of the bonds and permanent loan restrict affordability levels under Tax Credit Allocation Committee (TCAC) standards to 30 units (all singles) at 30% AMI, 100 units (all singles) at 35% AMI, 57 units (all singles) at 40% AMI, 34 units (all singles) at 45% AMI, 29 units (25 singles and 4 one-bedroom) at 50% AMI, and 211 units (187 singles and 24 one-bedroom) at 60% AMI. Since these affordability levels fell short of the mutually agreed upon affordability goals, staff prepared an Affordability Preservation Plan to address how to achieve additional affordability on 82 units; that Plan was approved by the CRA/LA Board on February 5, 2009. The residential portion of the rehabilitation project was substantially completed as of September 2009.

- Rosslyn Lofts/Frontier Hotel (111 W. 5th St.): Acquisition, preservation and rehabilitation of the historic Rosslyn Annex by developer Amerland and non-profit Pacific Housing, Inc. as the Managing General Partner. Known as the Frontier Hotel in recent years, the property had been operated as a residential hotel using market-driven rates. On March 1, 2007, the CRA/LA Board approved a settlement agreement with the previous owner that determined 205 units on floors 3-8 were subject to the replacement obligations under the Guidelines and allowed the owner to set the initial rents. However, CRA/LA staff believes the Plaintiffs mutually agreed upon 275 units as the replacement obligation and the Baseline Level (450 units on the original Baseline was a typo), with affordability on all 275 units based on average rents, equivalent to 35% AMI under TCAC standards. Upon completion, the Rosslyn Lofts project had 297 units overall, including 257 affordable units (all singles) and 2 manager units located on floors 3-9, and 38 market-rate units located on floors 10-12. The Guidelines allow up to 25% reduction in units from rehab, so the replacement obligation is 257 units at 35% AMI. CRA/LA participation in this project includes a Construction and Permanent Loan Agreement in the amount of up to \$8,000,000, consisting of a Short Term Loan of up to \$4,000,000 for the renovation of 257 affordable housing units and a Permanent Loan of up to \$4,000,000 for the purchase of additional affordability on 86 of those units, which was authorized by the CRA/LA Board on August 16, 2007. The Short Term Loan is to be repaid when Amerland receives the \$6,900,000 Prop 1C TOD Grant from the State; the Grant will result in 16 more units with deeper affordability in addition to the 86 units achieved by the CRA/LA Permanent Loan, for a combined total of 102 Very Low-Income units and 155 Low-Income units. CRA/LA had retained the right to purchase additional deeper affordability covenants using the repaid Short Term Loan funds, but that right was not exercised. 55-year covenants recorded by the CRA/LA and the Prop 1C Grant restrict affordability levels under California Department of Housing and Community Development (HCD) standards to a combined total of 102 Very Low-Income units (equivalent to 35% AMI under TCAC standards) and 155 Low-Income units (60% AMI under TCAC standards). A temporary Certificate of Occupancy for floors 3 through 9 was issued in September 2009.
- Van Nuys Apartments (210 W. 7th St.): Refinancing, preservation and rehabilitation of existing senior affordable housing project with CRA/LA affordability covenants that expire in 2010, by developer Apartment Investment and Management Company ("AIMCO") and non-profit Foundation for Affordable Housing, Inc. as the Managing General Partner. The project consists of 299 renovated units overall, including 297 affordable units (132 singles, 157 one-bedroom, and 8 two-bedroom) and 2 manager units. The CRA/LA covenants that expire in 2010 were replaced by new 55-year covenants that restrict affordability levels under TCAC standards to 31 units (14 singles, 16 one-bedroom, and 1 two-bedroom) at 50% AMI, and 166 units (118 singles, 141 one-bedroom, and 7 two-bedroom) at 60% AMI. However, all units are subsidized by a project-based Section 8 Housing Assistance Payments ("HAP") Contract through the U.S. Department of Housing and Urban Development ("HUD"), so the actual rent paid by tenants will be much lower than the maximum rents allowed under the covenants for the duration of the HAP Contract, which was renewed in 2004 for another 20-year period. CRA/LA participation involved the issuance of up to \$25,000,000 in tax-exempt bonds, which was authorized by the

CRA/LA Board on November 15, 2007; the refinancing included pay off of the approximately \$3,900,000 outstanding balance on the original CRA/LA Loan from 1980. The residential portion of the rehabilitation project was essentially completed as of October 2009.

2. Proposed Housing Units

Requirement: A list itemizing all developed or rehabilitated units that CRA/LA staff anticipates will be completed during the following year within the Project Area with CRA/LA assistance.

2009 Progress: CRA/LA staff anticipates that the new or rehabilitated affordable housing units identified below will be completed within the City Center Project Area with CRA/LA assistance in 2010.

- **Broadway Plaza Apartments (901 S. Broadway):** This adaptive reuse project to convert the former Blackstone Department Store into mixed-income housing with 82 units (including 17 affordable units) was about 50% complete when construction work ceased in June 2005 after the general contractor filed for bankruptcy. Unable to move forward due to unresolved legal disputes and a substantial funding gap, the original developers (Vista Affordable Housing Corporation and Beyond Shelter Housing Corporation) tried to preserve the project but potential equity investors and buyers concluded the income-restricted units were infeasible given the funding gap, so they entered into a sale agreement with the most qualified buyer among those interested in completing the project as 100% market-rate housing. On April 6, 2006, the CRA/LA Board consented to the sale and approved release of the restrictive covenants. That sale fell through, however, and project ownership rights were assigned to Standard Development, LLC in partnership with non-profit developer Neighborhood Effort, Inc., which are both led by Allen Gross. In February 2008, the Mayor and City Council authorized the issuance of up to \$7,000,000 in supplemental tax-exempt bonds so the project could be completed as mixed-income housing, with 17 affordable units (7 studio, 8 one-bedroom, and 2 two-bedroom), 1 manager unit (two-bedroom), and 64 market-rate units (24 studio, 35 one-bedroom, and 5 two-bedroom). 55-year covenants will restrict the affordability levels under TCAC standards to 17 units at 50% AMI. CRA/LA participation includes a Construction and Permanent Loan Agreement in the amount of \$909,806 authorized by the CRA/LA Board on May 20, 2004. Construction on this project restarted in spring 2008 after sitting idle for three years; the Certificate of Occupancy is expected to be issued in late January 2010.
- **Charles Cobb Apartments (521 S. San Pedro St.):** New construction project developed by Skid Row Housing Trust, on a site that previously contained vacant commercial buildings. Upon completion, the project will consist of 76 units overall, including 74 affordable units (all singles) for persons with special needs and 2 manager units. 55-year covenants will restrict affordability levels under TCAC standards to 35 units at 35% AMI and 39 units at 50% AMI. However, all units will be subsidized with a Shelter Plus Care grant through HUD, so the actual rent paid by tenants will be much lower than the maximum rents allowed

under the covenants. CRA/LA participation includes the contribution of \$1,500,000 to Skid Row Housing Trust for their Charles Cobb and Abbey projects by the developer of the 8th & Grand mixed-use project in association with the Owner Participation Agreement approved by the CRA/LA Board on June 15, 2006, as well as a Construction and Permanent Loan Agreement in the amount of \$900,000 authorized by the CRA/LA Board on January 15, 2009. The Certificate of Occupancy is expected to be issued by February 2010.

- Renato Apartments (527-31 S. San Julian St.): New construction project developed by SRO Housing Corporation, located on three contiguous parcels including one parcel that previously contained the outmoded 38-unit Leo Hotel. Upon completion, the Renato will consist of 96 units overall, with 95 affordable units (all singles) for chronically homeless persons with severe mental illnesses and 1 manager unit. 55-year covenants will restrict the affordability levels under TCAC standards to 10 units at 30% AMI, 25 units at 35% AMI, 25 units at 40% AMI, and 35 units at 45% AMI. However, all units will be subsidized through a 10-year contract with the Section 8 Project-Based Voucher program (which will be up for renewal in 2020), so the actual rent paid by tenants will be much lower than the maximum rents allowed under the covenants. CRA/LA participation includes the conversion of the prior Leo Hotel loan balances in the approximate amount of \$2,136,000 to a new Permanent Loan Agreement authorized by the CRA/LA Board on October 2, 2008. Construction on this project commenced in spring 2009 with the demolition of the Leo Hotel; the Certificate of Occupancy is expected to be issued in late July 2010.

3. Units Subject to Demolition/Conversion

Requirement: A list itemizing all units within the Project Area subject to Demolition or Conversion pursuant to a CRA/LA Agreement.

2009 Progress: CRA/LA staff anticipates that the units identified below may be Demolished or Converted within the City Center Project Area pursuant to a CRA/LA Agreement.

- Genesis Hotel (452-58 S. Main St.): On October 2, 2008, the CRA/LA Board approved various actions to enable developer Skid Row Housing Trust to demolish the existing Genesis Hotel in order to construct the New Genesis Apartments. The demolition of the Genesis would remove 30 units overall, including 29 affordable units (all singles) with covenants and 1 manager unit. Based on the Genesis Hotel rent levels from the 2006 rent survey in the Development Guidelines, the equivalent affordability levels under TCAC standards are 1 unit at 30% AMI, 27 units at 35% AMI, and 1 unit at 40% AMI. The New Genesis will consist of 106 units overall, including 104 affordable units (98 singles and 4 one-bedroom units) and 2 manager units. 55-year covenants will restrict the affordability levels under TCAC standards to 63 units at 30% AMI (62 singles and 1 one-bedroom), 16 units at 35% AMI (all singles), 2 units at 50% AMI (all singles), and 23 units at 55% AMI (18 singles and 5 one-bedroom units). However, 79 of the units (78 singles and 1 one-bedroom unit) will be subsidized through a 10-year contract with the Section 8 Project-Based Voucher program (which will be up for renewal in 2020), so the actual rent paid by tenants for those

79 units will be much lower than the maximum rents allowed under the covenants. Removing 29 units with covenants in order to produce 104 units with covenants will result in a net increase of 75 affordable units with covenants. CRA/LA participation includes a Loan Agreement in the amount of \$2,100,000 for a short-term loan that automatically converts to a permanent loan if the Trust does not receive the \$2,500,000 allocation from the Park Fifth Transfer of Floor Area Rights Community Benefits Program, as well as forgiveness of the existing Genesis Hotel loan principal and accrued interest in the approximate amount of \$819,335, as authorized by the CRA/LA Board on October 2, 2008. This project has been delayed for several months due to turmoil in the financial markets, but the developer now expects the Genesis will be demolished in March 2010 and the New Genesis to be completed in fall 2011.

4. Demolished or Converted Units

Requirement: A list itemizing all units Demolished or Converted, including the information described for Completed Housing Units and Units Subject to Demolition/Conversion above.

2009 Progress: The units identified below were Demolished or Converted in 2009.

- Leo Hotel (531 S. San Julian St.): On October 2, 2008, the CRA/LA Board approved various actions to enable developer SRO Housing Corporation to demolish the outmoded Leo Hotel and replace it with the new Renato Apartments. The demolition of the Leo removed 38 units overall, including 37 affordable units (all singles) with covenants and 1 manager unit. Based on the Leo Hotel rent levels from the 2006 rent survey in the Development Guidelines, the equivalent affordability levels under TCAC standards are 5 units at 30% AMI and 32 units at 35% AMI. The Renato will provide 35 of the 37 replacement units for the Leo; the James Wood Apartments provided the other 2 replacement units (at 30% AMI). Removing 37 units with covenants in order to produce 95 units with covenants will result in a net increase of 58 affordable units with covenants.
- 916 James M. Wood (30-unit apartment building located at 916 W. James M. Wood Blvd.): On September 16, 2008, the California Superior Court issued a sentencing order on litigation involving this property (California v. Frank McHugh, et al), which placed the property owner on 60 months probation with several conditions that included bringing the 30-unit apartment building into compliance with habitability codes by December 11, 2008, and divesting himself personally of all interests (financial, legal or equitable) in residential rental properties located within the City of Los Angeles within 36 months. The property owner had previously invoked the Ellis Act in March 2008, so the building was nearly vacant when the sentencing order was issued. On August 26, 2009, the property owner submitted a permit application to demolish the vacant apartment building. LAHD approved the demolition permit on October 7, 2009. Since the City Center Redevelopment Plan did not provide any authority to deny the demolition permit, CRA/LA staff reluctantly approved the permit on October 15, 2009. The permit was issued the following day, and demolition of the building was completed on December 9, 2009.

5. Relocated Tenants

Requirement: A list of all tenants who have been relocated with the information described for Units Subject to Demolition/Conversion above, subject to privacy limitations of law and authorization of the affected household to allow such information to be provided. (Note: This does not apply to tenants who are temporarily relocated for up to 12 months during an in-place rehabilitation project.)

2009 Progress: No tenants were relocated from units subject to Demolition or Conversion pursuant to a CRA/LA Agreement in 2009. Information about tenants relocated from units removed by a private owner without CRA/LA assistance is included below.

- 916 James M. Wood (30-unit apartment building located at 916 W. James M. Wood Blvd.): According to Strategic Actions for a Just Economy (SAJE), the property owner invoked the Ellis Act in March 2008 and had the building emptied at that time, except for a family with a disabled youth and a senior, which allowed them to stay in their unit for 12 months. That family did remain almost the entire 12 months. The building was empty as of March 2009.

6. First Source/Local Hiring and Employment Training

Requirement: A list of all projects that are subject to the First Source/Local Hiring Program, the number of jobs subject to the requirements of the Local Hiring Responsibilities of Construction Employers or Permanent Employers, and the percentage of such jobs filled by Local Low-Income Residents (as defined by the Agreement) by income category.

Side Agreement: Although Section 6.A.6. of the Settlement Agreement specifically asks for data measured by the number of jobs, CRA/LA staff suggested using data measured by work hours in order to be consistent with Section 5.A.2. of the Settlement Agreement. The Plaintiffs agreed and asked that the data include a breakdown by construction trade craft in accordance with Section 5.A.2.a. of the Settlement Agreement.

2009 Progress: To date since August 2006, the CRA/LA Board has approved six development projects that are subject to the First Source/Local Hiring requirements. The table below indicates the current status of these six projects.

DEVELOPMENT PROJECTS APPROVED THROUGH 2009 SUBJECT TO THE FIRST SOURCE/LOCAL HIRING REQUIREMENTS			
Project	Local Hiring/ Construction	Local Hiring/ Permanent	Construction Status
Alexandria Apts	No*	Yes	Completed 9/2009
Rosslyn Lofts	Yes	Yes	Completed 9/2009
Van Nuys Apts	Yes	Yes	Completed 10/2009
Renato Apts	Yes	Yes	Under Construction
Charles Cobb Apts	Yes**	Yes	Under Construction
New Genesis Apts	Construction Careers***	Yes	Starts 3/2010

- * Construction financing approved prior to execution of the Settlement Agreement.
- ** CRA/LA Loan Agreement incorporated the Local Hiring Requirements for Construction Employers, but construction was already 50% complete and thus the subcontractor agreements did not incorporate the Requirements.
- *** CRA/LA Board requested that this project be subject to the CRA/LA Construction Careers Policy instead of the Local Hiring Requirements on a test basis.

At this time, construction employment data is available from three projects (Rosslyn Lofts, Van Nuys Apartments and Renato Apartments); construction has not yet begun on the New Genesis Apartments. The following table indicates the progress towards the Local Hiring Goal and Local Low-Income Resident Apprentice Goal by construction craft through December 2009, with bold type signifying the goal was achieved or is being achieved.

CONSTRUCTION EMPLOYMENT DATA THROUGH DECEMBER 2009				
Category	Goal	Rosslyn Lofts	Van Nuys Apts	Renato Apts
Project Completion	-	100%	98%	33%
Local Hire (% of work hours)				
Total Work Hours	-	65,296	43,600	24,759
All Crafts	30%	32%	11%	47%
Asbestos	30%	0%	0%	0%
Carpenter	30%	39%	8%	42%
Carpet/Linoleum Tile Layer	30%	0%	7%	0%
Cement Mason	30%	0%	0%	0%
Drywall	30%	36%	13%	0%
Electrician	30%	43%	0%	59%
Elevator	30%	0%	0%	0%
Firesprinkler	30%	13%	0%	67%
Glazier	30%	0%	23%	0%
Iron Worker	30%	0%	0%	41%
Laborer	30%	34%	17%	61%
Operating Engineer	30%	0%	0%	83%
Painter	30%	13%	29%	43%
Plasterer	30%	0%	3%	0%
Plumber	30%	30%	0%	28%
Roofer	30%	0%	25%	0%
Sheet Metal Worker	30%	3%	0%	0%
Tile Layer/Finisher	30%	28%	0%	0%
Local Low-Income Resident Apprentice (% of work hours)				
Total Apprentice Work Hours	-	3,356	8,534	16
All Crafts	50%	0%	17%	0%
Asbestos	50%	0%	0%	0%
Carpenter	50%	0%	0%	0%
Carpet/Linoleum Tile Layer	50%	0%	0%	0%
Cement Mason	50%	0%	0%	0%
Drywall	50%	0%	22%	0%

Local Low-Income Resident Apprentice (% of work hours) – continued				
Category	Goal	Rosslyn Lofts	Van Nuys Apts	Renato Apts
Electrician	50%	0%	0%	0%
Elevator	50%	0%	0%	0%
Firesprinkler	50%	0%	0%	0%
Glazier	50%	0%	0%	0%
Iron Worker	50%	0%	0%	0%
Laborer	50%	0%	0%	0%
Operating Engineer	50%	0%	0%	0%
Painter	50%	0%	73%	0%
Plasterer	50%	0%	0%	0%
Plumber	50%	0%	0%	0%
Roofer	50%	0%	100%	0%
Sheet Metal Worker	50%	0%	0%	0%
Tile Layer/Finisher	50%	0%	0%	0%

The general contractor for the Rosslyn Lofts project was originally given an incorrect list of Community Area Employment zip codes (the zip codes given were for low-income areas in Watts rather than in City Center). Because this was the CRA/LA's error and the Watts zip codes had already been incorporated into the subcontractor agreements, the contractors were allowed to continue using the Watts zip codes to reach the local hiring goals; they have agreed to prioritize the correct zip codes for future hiring and use only the correct zip codes if new subcontractors come on board. On the table above, the Rosslyn Lofts data indicates the percent of work hours by local residents from the City Center zip codes only; across all crafts, the Watts zip codes accounted for 10% of the work hours.

In regards to the Van Nuys Apartments, based upon local hiring reports prepared by Bureau of Contract Administration (BCA), the CRA/LA sent notices to the developer informing them on March 9, 2009 and June 8, 2009 that they failed to meet the local hiring goals and requesting that they provide evidence of compliance with the Local Hiring procedures. Since AIMCO did not respond to the CRA/LA's requests, on September 15, 2009 the CRA/LA sent AIMCO a Notice of Intent to Declare Default. In response, AIMCO provided the CRA/LA with written materials allegedly documenting their contractors' compliance with the Local Hiring Requirements. These written materials have been reviewed by BCA and CRA/LA staff is now evaluating the BCA data to determine the extent to which AIMCO has complied or failed to comply with their contractual Local Hiring requirements.

CRA/LA staff experienced a learning curve with the first two projects from the logistics of implementing the requirements and monitoring compliance by subcontractors. Many of these logistical issues had been addressed prior to the Renato Apartments project, which probably had an impact on the Local Hiring results. Although the Renato Apartments project has not reported any apprentice hours by Local Low-Income Residents thus far, there have only been a total of 16 apprentice work hours to date.

The CRA/LA is currently working on implementing the permanent hiring monitoring obligations, however, this process has been slow due to the learning curve involved.

CRA/LA staff has not yet selected one or more firms to provide recruitment, coordination and other related services as needed to implement and monitor compliance with the First Source/Local Hiring Program among Permanent Employers. Therefore, local hire data from permanent employers is not yet available.

7. Job Training Trust Fund

Requirement: A report on deposits into and expenditures from the Job Training Trust Fund per Section 5.B of the Wiggins Settlement Agreement.

2009 Progress: The City Center Redevelopment Project had not received any tax increment funds prior to the settlement agreement between the CRA/LA and the County of Los Angeles, which the CRA/LA Board approved on April 3, 2008, and therefore no funds were available for the Job Training Trust Fund. Although the FY2009 City Center Work Program budget included an allocation of \$800,000 of General Revenue for deposit into the Trust Fund, those funds were not expended because of both a need to identify the appropriate training venues as well as an uncertainty regarding the City Center Project Area's share of the State-mandated payment from the CRA/LA into the Educational Revenue Augmentation Funds (ERAF) to meet the State's Prop 98 obligations to schools. Identifying training opportunities that lead to meaningful employment is further complicated by the lack of job opportunities due to the ongoing economic downturn.

8. Copies of Approved Plans

Requirement: Copies of all plans for Replacement Housing, Relocation Assistance, Supplemental Replacement Housing, and First Source/Local Hiring approved in 2009.

2009 Progress: The plans identified below were approved by the CRA/LA Board in 2009. As attachments to the respective CRA/LA Board Memorandum, these plans were made available to the public through the CRA/LA Board Meeting Agenda process and are now part of the public record. The annual report issued to Plaintiffs will include copies of these plans. Due to environmental concerns, the annual report issued to the CRA/LA Board will not include copies of these plans, but instead will be available upon request in the event that a CRA/LA Board member would like to review them again.

On January 15, 2009, the CRA/LA Board approved various actions involving the Charles Cobb Apartments project, including:

- Authorization to execute Construction and Permanent Loan Agreement incorporating the First Source/Local Hiring Requirements for Construction Employers and Permanent Employers.

On February 5, 2009, the CRA/LA Board approved various actions involving the Alexandria Apartments project, including:

- Alexandria Hotel Affordability Preservation Plan; and
- Authorization to execute Permanent Loan Agreement incorporating the First Source/Local Hiring Requirements for Permanent Employers.

II. ONGOING EFFORTS TOWARD IMPLEMENTING THE HOUSING PROVISIONS

Status of Resolved and Unresolved Housing-Related Issues

Since the Development Guidelines and the Wiggins Settlement Agreement took effect in 2006, certain issues and disagreements have emerged over the implementation or interpretation of key housing-related provisions. On August 7, 2009, CRA/LA staff and the Plaintiffs met for the purpose of addressing and ideally achieving closure on the unresolved issues identified in the 2008 Progress Report, many of which were resolved through mutual agreement with the Plaintiffs during this meeting. The following summarizes the current status of these issues.

Resolved Issues:

A. Alexandria

CRA/LA staff and Plaintiffs agreed that the replacement obligation issues were resolved by the Alexandria Apartments Project Affordability Preservation Plan that was prepared in accordance with the provisions described in Section II.B.5 of the settlement agreement in the matter entitled *Woods v. CRA/LA et al*, which was approved by the CRA/LA Board on February 5, 2009.

B. Frontier Hotel/Rosslyn Lofts

CRA/LA staff and Plaintiffs resolved the replacement obligation issues through mutual agreement on the following terms: 275 units listed on the Corrected Baseline (450 units had been incorrectly listed on the Original Baseline); affordability replacement obligation will be based on average rents, which is equivalent to 35% AMI under TCAC standards; 275 units will be reduced to 257 units upon completion of rehab project; Development Guidelines allow up to 25% reduction in units because of rehab, so replacement obligation will be 257 units at 35% AMI; 102 units at 35% AMI will be replaced onsite through the CRA/LA Loan (86 units) and Prop 1C Grant (16 units); 104 units at 35% AMI will be replaced offsite from the current pipeline (21 units at the Abbey Apartments, 11 units at the James Wood Apartments, 72 units at the New Carver Apartments); and the remaining 51 units at 35% AMI will be replaced no later than June 30, 2011.

C. Inaccurate Baseline Info

CRA/LA staff and Plaintiffs resolved many of the data inaccuracies through mutual agreement on the changes identified in the column marked "August 2009 Mutual Agreement" on Exhibit A; these changes are reflected in the data under the "Baseline Level (Corrected List)" section. CRA/LA staff will continue working with the Plaintiffs to address any remaining inaccuracies and seek mutual agreement on corrections if warranted.

D. Emergency/Transitional Housing Projects

CRA/LA staff and Plaintiffs mutually agreed to remove two transitional housing projects (Golden West Hotel and Marshall House) from the Baseline Level (Corrected List) shown on Exhibit A.

E. Vouchers vs. Covenants

CRA/LA staff and Plaintiffs mutually agreed to allow the equivalent affordability levels (for purposes of tracking replacement obligations under the Guidelines and Settlement

Agreement) to be based on the actual rent paid by the tenant in units with rent subsidies such as Section 8 Project Based-Vouchers or Shelter Plus Care grants, rather than the affordability restrictions specified in the covenants, for the duration of the subsidy only. If the subsidy expires, CRA/LA staff must designate other units to fulfill the replacement obligations at the covenanted affordability levels.

Unresolved Issues:

F. Baseline Level Clarity – Aggregate Units vs. Affordability Level

Section 4.B. of the Settlement Agreement states that “if the aggregate number of Affordable Housing units” available to Lower Income Households falls below the Baseline Level, the “aggregate number of Affordable Housing units” shall be restored to at least the Baseline Level within 48 months. Section 4.C. defines the Baseline Level as Attachment 5 to the Settlement Agreement, provided the incomplete information on Attachment 5 concerning hotel unit counts and rent amounts is completed within six months. It should be noted that Attachment 5 lists the number of units only; rent amounts are listed on Attachment 3. Pursuant to Section 4 of the Settlement Agreement, tracking is based on the current aggregate number of Affordable Housing units to determine whether the current level is above or below the Baseline Level. The term “aggregate number of Affordable Housing units” is not defined in the Settlement Agreement, but Webster’s Dictionary defines “aggregate” as a mass of distinct things gathered into a total or whole. By definition, there cannot be a separate aggregate number of units for each affordability level.

G. Confirm/Correct Data Accuracy

CRA/LA staff is reviewing public records on a few properties to confirm the accuracy of the Baseline Level or identify potential corrections if mutually agreed upon. These properties include the Panama and Russ Hotels (CRA/LA documents indicate primary use is emergency/transitional housing), Hayward Manor Hotel (checking unit count) and the Stillwell Hotel (CRA/LA documents indicate dual uses as residential hotel and transient hotel).

H. Morrison Hotel and Bristol Hotel

Both of these properties were vacant and boarded up prior to 2006, and they remain vacant today. The Plaintiffs believe the Morrison and the Bristol should be considered “lost” units that need to be replaced. CRA/LA staff believes these properties should not be considered lost units, given that neither property has been demolished or converted, and the Settlement Agreement does not contain a provision that allows vacant units to be included in the Baseline Level but not in the Current Level. To be discussed at the next meeting with CRA/LA staff and the Plaintiffs.

I. Possible Baseline Level Additions

Four mixed-income properties and the Downtown Women’s Center could be added to the Baseline Level if mutual agreement is reached at the next meeting with CRA/LA staff and the Plaintiffs.

Interpretation Issues:

J. Relationship between Development Guidelines and Wiggins Settlement Agreement

CRA/LA staff believes that further discussions are needed regarding consistency/

inconsistency between the tables attached to the Guidelines and the Settlement, including intent and methods on how to implement changes/corrections/appeals.

Status of Affordable Housing Development Activities

To the extent possible, the Downtown Region monitors current and potential development projects in various stages of development ranging from the latest rumors to initial occupancy. The impact from this development activity on the near-term outlook for compliance with key components of the Wiggins Settlement Agreement affordable housing obligations is discussed below.

A. Baseline Level

Requirement: The CRA/LA agreed to ensure the preservation, rehabilitation and/or replacement of the limited housing stock affordable to Lower Income households so that the aggregate number of such housing units in the City Center Project Area does not fall below the levels existing at the time of the settlement in August 2006 (defined as the "Baseline Level"). Per Section 4.A. of the Settlement Agreement, when and if the aggregate number of Affordable Housing units available and affordable to Lower Income households within the Project Area falls below the Baseline Level, the CRA/LA is required to increase or cause the increase of the production of Affordable Housing units to restore the aggregate number of such units to at least the Baseline Level. The CRA/LA may include any Affordable Housing unit developed within the City Center Project Area by any public or private entity.

Near-Term Outlook: As a result of the data corrections to the Baseline Level that were mutually agreed upon by the Plaintiffs during the meeting held on August 7, 2009, the aggregate number of housing units affordable to Lower Income households in August 2006 was revised from 8,582 units (the Original Baseline Level) to 8,126 units (the Corrected Baseline Level), as indicated on Exhibit A.

In accordance with Sections 4.B.(i) and 4.B.(ii) of the Settlement Agreement, the Current Level for the aggregate number of housing units affordable to Lower Income Households is 8,392 units, which exceeds the Corrected Baseline Level by 266 units, as the table below indicates.

Corrected Baseline Level vs. Current Level	
Corrected Baseline Level	8,126 units
Victor Clothing Lofts	+ 36 units
Abbey Apartments	+ 113 units
James M. Wood Apartments	+ 52 units
New Carver Apartments	+ 95 units
916 James Wood Blvd. demolition	- 30 units
Current Level	8,392 units
Current Level vs. Corrected Baseline	+ 266 units

Per Section 4.B.(ii), if the number of Affordable Housing units produced for a development within the City Center Project Area under contract to a non-profit

organization is less than the number of dwelling units, including Residential Hotel/SRO Units, existing for that site in the Baseline Level, this shall not count as a “loss” at any time for purposes of comparing current levels to Baseline Levels. This applies to three projects completed since August 2006, which are listed on the table below. This table does not include the Van Nuys Apartments since the refinancing/rehabilitation project did not impact the unit count and the property was already under contract to a non-profit organization.

Changes Not Counted as a “Loss” for Purposes of Comparing Current Levels to Baseline Levels, per Section 4.B.(ii)			
Pre-Rehab Name	Post-Rehab Name	Non-Profit Org.	Net Change
Lyndon Hotel	Lyndon Apartments	SRO Housing Corp.	- 10 units
Frontier Hotel	Rosslyn Lofts	Pacific Housing, Inc.	-18 units
Alexandria Hotel	Alexandria Apartments	Pacific Housing, Inc.	0 units

B. Replacement Obligations and Inventory

Requirement: Section 2 of the Settlement Agreement stipulates that the affordability of replacement units must be the lower of the affordability level required by the Community Redevelopment Law or the rent level of the unit(s) set forth in the Settlement Agreement. In the event that the unit rents were not listed in the Settlement Agreement or subsequently set through implementing procedures, the “average rent” of the other residential hotels (\$441 for a single unit in 2006 or approximately 35% of AMI under TCAC standards) would be used.

Near-Term Outlook: CRA/LA staff keeps track of development activity since August 2006, including the number of units produced, rehabilitated, demolished or converted by affordability level. This information is used to designate replacement units and monitor the inventory of units available as replacement units at each affordability level. Since many of the units covenanted at affordability levels above 35% AMI are also covered by a rental subsidy program such as Section 8 Project-Based Vouchers or Shelter Plus Care, which results in deeper affordability levels than would be achieved by the covenants, the affordability levels are tracked by the covenants only regardless of rental subsidies as well as by the rental subsidy units counted at the lowest affordability level (Very Low-Income under HCD standards and 30% AMI under TCAC standards).

C. Anticipated and Potential Development Activity Involving Affordable Housing

Requirement: The Settlement Agreement and California Community Redevelopment Law compel the CRA/LA to ensure the preservation, rehabilitation and/or replacement of existing affordable housing units as well as the production of new affordable housing units in the City Center Project Area.

Near-Term Outlook: CRA/LA staff is in discussions with affordable housing developers regarding existing housing sites included in the Baseline Level as well as potential new housing sites not previously listed in the Baseline Level. The current status of these discussions is summarized below.

Morrison Hotel (1246 S. Hope St.): This property has been vacant since February 2006, after tenants represented by Legal Aid Foundation of Los Angeles and other law firms in the relocation settlement agreement had vacated the building. CRA/LA staff has met with several developers over the past five years regarding this property. In 2009, staff worked with a developer who submitted an initial offer on the Morrison and the adjacent parking lot, which the current owners rejected as insufficient but declined to make a counter offer. Recently, staff met with another developer who may be interested in acquiring the Morrison site, the adjacent parking lot and three other adjoining parcels from the same ownership group; at this time, discussions are continuing, although an agreement to move forward has not yet been reached. This site is currently listed on the Baseline Level with 111 units.

Bristol Hotel (423 W. 8th St.): This property has been vacant since early 2004, when it was emptied of all tenants in advance of the owner submitting an application to convert the Bristol to a boutique market-rate hotel, which triggered litigation filed by some of the Plaintiffs' representatives, the City of Los Angeles, and the CRA/LA. On May 15, 2008, the CRA/LA Board approved a settlement agreement that requires the Bristol property owner to comply with the recorded affordability covenants until July 2015. In February 2009, the Bristol was acquired by developer Izek Shomof, owner of the Hayward Manor Hotel and several market-rate properties in the Historic Core area. During the escrow process, CRA/LA staff met with Mr. Shomof to discuss the Bristol settlement agreement, the Guidelines, and various funding options. The building is being renovated and the intention is to apply for Section 8 Project-Based Vouchers in the next round of funding. This site is currently listed on the Baseline Level with 103 units.

Hayward Manor Hotel (202-16 W. 6th St.): Although this property does not have any affordability covenants recorded, 459 units are subsidized by the Section 8 Project-Based Voucher (PBV) program. The Section 8 HAP Contract was renewed for another 10 years starting in November 2008; according to HACLA, the term would be extended to 15 years once HUD had published a new PBV HAP contract template. This site is currently listed on the Baseline Level with 614 units, although the City's Housing Element lists the Hayward Manor at 525 units. CRA/LA staff will check other public records and discuss any findings with the Plaintiffs; any changes require mutual agreement.

Rosslyn Hotel (112 W. 5th St.): This property had twice been under option to developers over the past 18 months, but neither of these efforts came to fruition. As of December 2009, SRO Housing Corporation has entered into a purchase and sale agreement to acquire the historic Rosslyn Hotel. SRO Housing Corporation is currently pursuing funding opportunities and is expected to submit a CRA/LA loan application in 2010. This site is currently listed on the Baseline Level with 264 units.

King Edward Hotel (121 E. 5th St.), Baltimore Hotel (501 S. Los Angeles St.) and Leland Hotel (116 E. 5th St.): The current owner has enlisted a broker to sell them as a package deal. Since early 2009, the three properties have been under option to Century Pacific Housing, a for-profit investment company that specializes in affordable housing projects. Century Pacific discussed initial plans with CRA/LA staff in May 2009, and is currently exploring funding options and identifying potential non-profit operating partners. All three sites are currently listed on the Baseline Level with 368 total units combined.

Huntington Hotel (752 S. Main St.): On March 3, 2008, the California Superior Court issued a judgment and permanent injunction against Landmark Equity Management involving their ownership of several residential properties including the Huntington Hotel. Under the terms of this judgment, the owner had a significant financial incentive to sell all their residential properties within 18 months. As the September 2009 deadline neared, all of the properties had been sold with the exception of the Huntington, which was under option to the Communities Actively Living Independent and Free (CALIF), a service organization for people with disabilities. CRA/LA staff had several meetings with CALIF and attended a CALIF Board meeting along with SRO Housing Corporation staff. Prior to the deadline, SRO Housing Corporation gave the owner an initial offer for \$8,000,000 and the City Attorney's office extended the deadline so the property owner could work out the details. The owner instead made a deal to sell the property to a general contractor firm previously employed by the owner. The City Attorney's Office is presently litigating the validity of this sale. This site is currently listed on the Baseline Level with 200 units.

Winston Apartments (324 E. Winston St.): From 1984 to 1987, SRO Housing Corporation acquired the Panama Hotel and seven other residential hotels to launch the initial phase of the CRA/LA's SRO Hotel Rehabilitation Program. On November 18, 1985, the CRA/LA Board approved the terms for a Memorandum of Understanding with SRO Housing Corporation that designated the Panama and Russ as "voucher hotels" and the other six hotels as permanent housing. Both hotels have been operated as emergency or transitional housing for the past 25 years, with the majority of rooms at each hotel reserved by contracts with the Los Angeles Homeless Services Authority (LAHSA) for various voucher programs. However, the back section of the Panama has been vacant since 2007 because LAHSA shifted a CDBG-funded contract for 70 shelter beds at the Panama to a less expensive dormitory-style facility. This led SRO Housing Corporation to secure funding from the Governor's Homeless Initiative program under Proposition 46 and Union Bank to rehabilitate and reconfigure the back section of the Panama Hotel into 40 permanent supportive housing units plus 1 manager unit. The front section would continue to be used as emergency housing, retaining the Panama Hotel name and 5th Street front entrance; the permanent supportive housing units in the back section would be named the Winston Street Apartments with the existing Winston Street door serving as the entrance. On December 18, 2008, the CRA/LA Board authorized the recordation of new covenants and subordination of the existing CRA/LA Loans with a balance of \$5,740,141 to facilitate the proposed Panama Hotel/Winston Apartments rehabilitation project by SRO Housing Corporation. Due to the State funding freeze, the construction start date has been delayed. The Panama Hotel site is currently listed on the Baseline Level with 228 units, although CRA/LA staff has proposed that this site be removed from the Baseline since the primary use since 1985 has been emergency or transitional housing, pending further review of public records and mutual agreement with the Plaintiffs.

YWCA/Job Corps Center (1016-32 S. Olive St.): Construction officially commenced in January 2010 on this project, which includes 200 housing units for 400 homeless, emancipated and at-risk youth involved in the job training program. Funding sources include New Market Tax Credits from the Los Angeles Development Fund, \$8,000,000 from Figueroa South LLC through an agreement authorized by the CRA/LA Board on

February 2, 2006, a \$2,000,000 CRA/LA Loan, Proposition 1C Grant funds, and Economic Development Administration (EDA) funding. CRA/LA staff and the Plaintiffs have not yet reached a mutual agreement over how these units should be counted. This site was not previously listed on the Baseline Level.

Star Apartments (240 E. 6th St.): This property, which is occupied by a single-story retail center constructed in 2003 with rooftop parking, was acquired by Skid Row Housing Trust in December 2009. The Trust intends to build four new wood-framed stories above the existing structure and the rooftop parking, which will be transformed into an indoor/outdoor space for community activities and offices. Design plans are currently being finalized and the Trust is exploring funding opportunities for 100 affordable units with rental subsidies plus 2 manager units. This site was not previously listed on the Baseline Level.

Gateway Apartments (505 S. San Pedro St.): In November 2008, SRO Housing Corporation acquired this vacant lot, which is adjacent to their recently-completed James M. Wood Apartments. SRO Housing Corporation proposes to construct a new six-story building and is currently exploring funding opportunities for 119 affordable units with rental subsidies plus 1 manager unit. This site was not previously listed on the Baseline Level.

14th & Olive (1340-56 S. Olive St.): In 2008, development partners California Landmark and CityView had requested entitlements for a proposed mixed-income project with 120 market-rate units and 30 affordable units using the City's Greater Downtown Housing Incentive ordinance. That proposal has since stalled, and now developer Thomas Safran and Associates (TSA) is involved in negotiations to acquire the site with plans to develop 150 affordable units. This site was not previously listed on the Baseline Level.

III. ONGOING EFFORTS TOWARD IMPLEMENTING THE JOBS PROVISIONS

Status of First Source/Local Hiring Programs

A. Construction Employers

Requirement: The CRA/LA agreed to apply the provisions of Section 5 from the Wiggins Settlement Agreement to future CRA/LA-assisted projects in the City Center Project Area, including the Local Hiring Responsibilities of Construction Employers.

Near-Term Outlook: PVJOBS was selected in 2008 through a Request for Proposals process to be the "Jobs Coordinator" to oversee the implementation of the Local Hiring Program by construction employers for a three-year period. PVJOBS periodically co-locates staff at the LACAN office to do intake. CRA/LA staff has agreed to meet with LACAN and PVJOBS by the end of March to ensure that the local intake and enrollment process is effective. In addition, CRA/LA staff has made arrangements with the City's Bureau of Contract Administration (BCA) to collect the construction employment data and issue summary reports that chart progress on the hiring goals for Local Hire Hours and Local Low-Income Resident Apprentice Hours. By mutual agreement, CRA/LA staff

will provide the Plaintiffs with the quarterly reports prepared by BCA so that compliance issues can be addressed in a timely manner.

In December 2008, the Plaintiffs agreed to apply the CRA/LA Construction Careers Policy, rather than the Settlement Agreement's Local Hiring Requirements for Construction Employers, on a trial basis to City Center projects that meet the thresholds for the Policy for one year. Given that no projects were approved during 2009, the Plaintiffs have indicated that they may be willing to extend the trial period for an additional year, if CRA/LA demonstrates that it is effectively monitoring construction hiring goals and comes into compliance on permanent hiring in a short timeframe. When the Policy is applied to City Center projects, the priority zip codes will be those listed in the Settlement Agreement, rather than the Policy's three-mile radius. Projects that do not meet the Policy thresholds would still be subject to the Requirements from the Settlement Agreement. This will not affect the Local Hiring Requirements for Permanent Employers.

B. Permanent Employers

Requirement: The CRA/LA agreed to apply the provisions of Section 5 from the Wiggins Settlement Agreement to future CRA/LA-assisted projects in the City Center Project Area, including the Local Hiring Responsibilities of Permanent Employers.

Near-Term Outlook: CRA/LA staff delayed issuing a Request for Qualifications (RFQ) to prequalify coordinators for permanent jobs so the scope of work could be adjusted as needed based on lessons learned from the implementation of the construction jobs requirements. In spring 2010, CRA/LA staff will review the process and procedures for implementing and monitoring the construction jobs requirements, assess staff capacity at both the CRA/LA and BCA, and meet with the Plaintiffs to mutually agree upon how to implement and monitor the permanent jobs requirements. The draft RFQ will then be revised and issued. From that list of prequalified coordinators, a Jobs Coordinator will be chosen to oversee the implementation of the Local Hiring Program by permanent employers. CRA/LA staff expects to issue the RFQ by April 2010 and to have completed the selection process by September 2010. In the interim, until such Jobs Coordinator is hired, the Plaintiffs and CRA/LA staff have agreed that CRA/LA staff will immediately inform current recipients, in writing and through meetings, of their obligations under the Local Hiring Requirements for Permanent Employers and establish an interim method for early notification to specific parties. CRA/LA staff is currently identifying potential sites for a satellite office for this Jobs Coordinator.

Status of Employment Training Programs

A. Employment Training

Requirement: The CRA/LA agreed to establish and administer a Job Training and Job Development Trust Fund to be used on facilities, infrastructure and other legally permissible expenditures on projects and organizations located in the City Center Project Area providing job training or employment support services to Local Low-Income Residents.

Near-Term Outlook: As mentioned above, the funds allocated for deposit into the Job Training Trust Fund were not expended due to the need to identify the appropriate training venues as well as an uncertainty regarding the impact on the City Center Work Program budget from the ERAF payment obligations. CRA/LA staff has been working out the logistics of setting up and administering this Trust Fund within the CRA/LA's existing accounting system, as well as reviewing the legal framework for such a Trust Fund with the City Attorney's office. Most of these logistical and legal issues have been resolved. In order to move forward, CRA/LA staff will organize a jobs training "summit" involving the Plaintiffs, relevant job training organizations, staff from CRA/LA, CDD and other City Departments that impact job training and/or job creation, along with other relevant participants. The purpose of this summit will be to assess existing programs, identify current needs, brainstorm ideas, prioritize various options, and determine next steps. The summit, which is targeted for late spring, will help guide future expenditures by the Trust Fund.

If any Commissioner desires additional information, please contact Project Manager Lillian Burkenheim at (213) 977-2601 or Assistant Project Manager Dave Neubecker at (213) 977-1773.

Calvin E. Hollis
Interim Chief Executive Officer

By

Glenn F. Wasserman
Chief Operating Officer

Exhibit A: Original and Corrected Baseline Levels