

**SUMMARY REPORT PURSUANT TO  
CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433  
ON A  
DISPOSITION AND DEVELOPMENT AGREEMENT  
BY AND BETWEEN  
CITY OF LOS ANGELES  
AND  
JOVENES, INC.,  
A NON-PROFIT PUBLIC BENEFIT CORPORATION**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The Summary Report sets forth certain details of the proposed template Disposition and Development Agreement and executed Deal Terms (Agreement) between the City of Los Angeles (City) and Jovenes, Inc., a non-profit public benefit corporation and Restore Neighborhoods LA, Inc., a non-profit public benefit corporation (collectively "Borrower"). The Project will be developed Restore Neighborhoods LA, Inc. (Developer). The Agreement requires the City to sell the following parcel (Site), totaling 6,000 square feet, to the Borrower:

Parcel Address	APN
3551 E. 4 <sup>th</sup> Street	5179-014-900

The Borrower proposes to construct 8 apartment units on the Site with no onsite parking spaces provided. In addition, the proposed development will include furnished units, storage space, and a small picnic area and BBQ area (Project). Six (6) of the units will be set aside as for households referred by the Department of Health Services (DHS) and two units will be occupied by extremely-low income student households.

In 1993, Community Rehabilitation Services, Inc. entered into a forgivable loan and a regulatory agreement with the Department of Housing and Community Development (HCD) to acquire the Site and operate an 8-unit rental housing development to be occupied by homeless disabled persons of low and very-low income. The Community Redevelopment Agency of the City of Los Angeles (CRA/LA) also provided a loan from Bunker Hill Replacement Housing Trust Funds to the project in 1993. From 1994 to 2006, the site was used as a temporary shelter for eight very-low income, homeless and disabled individuals prior to them relocating to permanent housing.

In June 2006, CRA/LA accepted a Deed in Lieu of Foreclosure from Community Rehabilitation Services, Inc. in exchange for forgiving the outstanding \$271,864 CRA/LA Loan balance. The Site is currently improved with a vacant single-story duplex that is in disrepair. In May 2013, CRA/LA transferred the Site to the City. On March 20, 2017, the City released an RFQ/P for the Site, and on October 13, 2017, the City Council selected the Borrower's proposal. The City and the Borrower entered an ENA on December 15, 2017.

The Site is in Council District 14 but outside of a former redevelopment project area. HCD has agreed to transfer the HCD Loan to the Borrower. HCD has also agreed to amend the HCD Regulatory Agreement so that the use restriction will provide two TAY and six Homeless units

as well as extend the HCD Loan for a minimum of eight years and one month. As such, all of the HCD Loan and use restrictions issues have been resolved.

The purpose of the Agreement is to implement the City's objective of improving and increasing the supply of affordable housing in the City of Los Angeles. Due to the funding sources used to acquire the Site, the proposed conveyance of the Site to the Borrower is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the disposition transaction for the Site.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. **Salient Points of the Agreement:** This Section summarizes the major responsibilities imposed on the Borrower and the City by the Agreement.
- II. **Cost of the Agreement to the City:** This section details the costs previously incurred by the City, and the additional costs that must be incurred by the City to implement the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Uses Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Redevelopment Plan.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Agreement.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the City, and explains any difference between the compensation to be received and the established value of the Site.
- VI. **Blight Elimination:** This section explains how the Agreement will assist in alleviating blight in the Project Area.
- VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the adopted AB1290 Implementation Plan.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

## I. SALIENT POINTS OF THE AGREEMENT

### Scope of Development

The proposed scope of development can be described as follows:

1. The Site is currently improved with a vacant single-story duplex and totals approximately 6,000 square feet of land area.
2. The Project will have a total gross building area (GBA) of approximately 2,761 square feet, or a 0.46 FAR. The following breaks out the proposed GBA:

	<b>Square Footage</b>
Gross Living Area	2,400
Storage Area	361
<b>Total Gross Building Area</b>	<b>2,761</b>

3. The units will be provided in one building with no onsite parking spaces.
4. The Project will include the following unit mix:

	<b>Number of Units</b>	<b>Unit Sizes (Sf)</b>
Studio Units	8	300
<b>Totals/Averages</b>	<b>8</b>	<b>300</b>

5. The Regulatory Agreement associated with the Agreement will place the following affordability restrictions on the Improvements for a 55-year term from certificate of occupancy (COO), on the Project:

	<b>Studio Units</b>	<b>Total Units</b>
Moderate Income Units (Schedule VII)	8	8
<b>Totals</b>	<b>8</b>	<b>8</b>

6. The Project's amenities will include furnished units, storage space, and a small picnic and BBQ area.
7. The wrap-around services totaling \$32,400 per year for the six units reserved for homeless and chronically homeless individuals will be provided and funded by a separate contract between DHS and their selected provider. The contract will be for five years with two five-year options. The services will be provided by a Los Angeles County authorized service provider. It is anticipated that Jovenes, Inc. will provide services onsite.

The Site is in Council District 14 but outside of a former redevelopment project area. In May 2013, CRA/LA transferred the Site to the City. On March 20, 2017, the City released an RFQ/P for the Site, and on October 13, 2017, the City Council selected the Borrower's proposal. The City and the Borrower entered an ENA on December 15, 2017.

### **Borrower Responsibilities**

The Agreement requires the Borrower to accept the following responsibilities:

1. The Borrower will purchase the Site from the City for \$208,000 (Purchase Price), which is the appraised fair market value.

2. Prior to the Close of Escrow, the following must occur:
  - a. The Grant Deed, City Land Loan documents, Regulatory Agreement, Notice of Affordability Restrictions on Transfer of Property, Assignment of Agreements, Plans, Specifications and Entitlements (not recorded), Intercreditor Agreement (if any, not recorded), and Statutory Request for Notice must be executed and recorded.
  - b. Provide to the City in writing that all information provided to the City is true and correct; and the Borrower is in full compliance with the terms of the Agreement.
  - c. Provide the City with a written Opinion of Borrower's Counsel with respect to
    - i. Legality, validity and binding effect of the Agreement and its enforceability against Borrower in accordance with its terms;
    - ii. The absence of any litigation or other proceedings, either pending or threatened, which could have a material adverse effect on the ability of Borrower to perform pursuant to the Agreement; and
    - iii. Such other standard and customary matters for legal opinions to be given Borrower's counsel in real estate secured financing transactions as reasonably requested by the City.
  - d. Provide the City with documentation relating to the status of Borrower's entity structure, and those of any general partners or managing members of Borrower.
  - e. Written confirmation from the Title Company that all conditions precedent to the Close of Escrow have been satisfied.
  - f. Determine that no adverse Site conditions exist that may interfere with the development of the Site.
  - g. Provide the City with evidence of the required Insurance Policies.
  - h. Provide to the City a certification in writing that the Project Budget remains in effect as of such date, or provide the City with a proposed revision to the Project Budget, to be approved by the City's Housing and Community Investment Department (HCID) General Manager or designee.
  - i. Submit to the City a Financing Plan for the Project, which will include:
    - i. A 10-year cash flow projection for operation of the Project;
    - ii. A current Project Budget;
    - iii. A Sources and Uses table, identifying the proposed use of each source of funding for the Project during the construction period;
    - iv. If applicable, evidence that Borrower has sufficient additional funds available and available to cover any financing deficit.
  - j. Shall have received an estimated closing cost statement of costs from the Escrow Agent.

- k. Shall have executed and delivered to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
3. The Regulatory Agreement will be in effect for 55 years from COO and will restrict 8 Units to Moderate Income Households per Health and Safety Code Section 50093 and the rents to Moderate Income rents per Health and Safety Code Section 50053. <sup>1</sup>
4. The Regulatory Agreement will also require the Borrower to submit for City approval, a Management Plan at least 20 business days prior to completion of construction. This Management Plan will remain in effect for the term of Regulatory Agreement.
5. During the term of the Regulatory Agreement, the Site and Improvements must be maintained and secured at all times.
6. Scope of Development Requirements:
  - a. Borrower must construct the Project in conformance with the Agreement's Scope of Development and the approved Final Construction Drawings, and terms and conditions of all City approvals and any other governmental approvals.
  - b. Multifamily Housing Design Guidelines;
  - c. Must follow Environmentally Responsive Design Guidelines of March 19, 2007; and
  - d. Must be consistent with the latest California Energy Commission requirements.
7. Borrower must commence construction of the Improvements within the time set forth in the Schedule of Performance and the Borrower is solely responsible for the construction of the Improvements. In general, it is expected that the Project will obtain approvals for entitlements and funding sources.
8. Borrower must comply with the following City policies:
  - a. Relocation requirements;
  - b. Construction signs;
  - c. Publicity;
  - d. Progress Reports;
  - e. Nondiscrimination, Equal Opportunity policies;
  - f. Affirmative Outreach in Contracting;
  - g. Employment of Project Area Residents;
  - h. Community Outreach Plan Policy;
  - i. Prevailing Wages (the Project will incur state prevailing wages);
  - j. City's Living Wage Ordinance and Service Contractor Worker Retention Ordinance;

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<sup>1</sup> The Site will also be restricted by the HCD Regulatory Agreement and the City TOC Regulatory Agreement. The most restrictive affordability requirements will prevail.

- k. City's Equal Benefits Ordinance;
  - l. Contractor Responsibility Ordinance;
  - m. Slavery Disclosure Ordinance;
  - n. First Source Hiring Ordinance;
  - o. Child Support Assignment Orders;
  - p. Fair Chance Initiative for Hiring Ordinance;
  - q. Labor Compliance meeting.
9. Borrower must comply with all Accessibility Requirements of state, local and federal rules, laws and regulations relating to accessibility and reasonable accommodations for persons with disabilities. Borrower must also provide an ADA Certification.
10. The following limitations will be placed on the Project Budget:
- a. Capitalized Operating Reserves – Not Applicable;
  - b. Capitalized Debt Service Reserves - \$11,875 at closing of the permanent loan;
  - c. Annual Replacement Reserves – Up to \$4,000, or \$500 per unit;
  - d. Developer Fee – Up to \$240,686, or 15% of total development costs, net of the developer fee.
11. The Borrower's Financing Plan must include the following funding sources, unless approved by the City. Evidence of awards for all funding sources must be provided prior to Close of Escrow and the Close of Escrow must occur within two years of the date of execution of the Agreement. The proposed financing sources are as follows:
- a. Construction Financing:
    - i. A construction loan financed through conventional financing;
    - ii. City Land Loan;
    - iii. HCD Loan<sup>2</sup>;
    - iv. Affordable Housing Program (AHP) Loan;
    - v. Deferred costs;
    - vi. Deferred Developer Fee; and
    - vii. Los Angeles County Grant;
  - b. Permanent Financing:
    - i. A permanent loan financed through conventional financing;
    - ii. Los Angeles County Grant;

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<sup>2</sup> The HCD Loan is a \$200,000 encumbrance that will remain on the property for eight years plus one month after COO, at which time it will be forgiven as long as the Project has been in compliance with the HCD Regulatory Agreement during that time.

- iii. City Land Loan;
  - iv. HCD Loan;
  - v. AHP Loan;
  - vi. Deferred Developer Fee;
  - vii. Wrap-around services contract from DHS; and
  - viii. Flexible Housing Subsidy Pool funds from the Housing Authority of the City of Los Angeles (HACLA).
12. Borrower is required to provide the City with a refundable Site control fee totaling, \$50,000. It should be noted that the Borrower has already provided this fee to the City.
13. If the Borrower discovers the presence of Hazardous Materials on, under or about the Site prior to the commencement of construction, the Borrower is responsible for the first \$100,000 of remediation costs. If remediation costs exceed \$100,000, then the City and Borrower will negotiate in good faith to identify the means and method to pay the estimated costs. If funding sources cannot be identified, the Agreement may be terminated.
14. Borrower will indemnify the City of the following:
- a. Any and all Claims which directly or indirectly are caused by the following:
    - i. Approval of the Agreement and/or the Improvements;
    - ii. Performance of the Agreement on the part of the Borrower or any contractor/subcontractor of Borrower; and/or
    - iii. The rehabilitation, operation, maintenance or management of the Improvements.
  - b. Any and all Claims from:
    - i. The failure of the Borrower to comply with any Hazardous Materials Laws;
    - ii. The presence in, on or under the Site of any Hazardous Materials not otherwise present before the Close of Escrow; or
    - iii. Any activity carried on or undertaken on or off the Project, subsequent to the conveyance of the Site to the Borrower, in connections with handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials.
15. Borrower will provide evidence of the following insurance coverage:
- a. Borrower and Borrower's contractors and subcontractors hired to perform work on the Site must maintain
    - i. Commercial General Liability Insurance;
    - ii. Workers' Compensation Insurance including Employer's Liability in limits not less than \$1 million.

- iii. Professional liability insurance shall be required of architects and engineers in limits of not less than \$1 million;
    - iv. Commercial automobile insurance coverage in minimum limits of not less than \$1 million
  - b. During construction and until a COO has been issued by the City, Borrower will carry Builder's Risk coverage for the Improvements.
  - c. After completion of the construction, Borrower will maintain
    - i. Property insurance on the Improvements;
    - ii. Loss of rental income insurance against the perils of fire, lightning, vandalism, malicious mischief, riot and civil commotion and such other perils ordinarily included in extended coverage policies.
- 16. The following summarizes the closing costs to be paid by the Borrower:
  - a. Escrow fee;
  - b. Recording fees;
  - c. Title insurance policy; and
  - d. Any other costs, expenses or fees of the Escrow are to be paid by party who customarily pays for such costs in Los Angeles County.
- 17. The City Land Loan will only be subordinated to the construction and permanent loans. The Regulatory Agreement will be unsubordinated.
- 18. Only Permitted Transfers can occur until the latest of
  - a. Issuance of a Certificate of Completion by the City to the Borrower;
  - b. The date the City Rent and City debts, if any, related to this Agreement, is repaid in full; and
  - c. The date the Regulatory Agreement expires.

### **City Responsibilities**

The Agreement imposes the following responsibilities on the City:

- 1. City will sell the Site to the Borrower in "As-Is" condition for \$208,000, which is the appraised fair market value of the Site. Until the issuance of the Certificate of Completion, the City's conveyance of fee simple interest shall be subject to a power of termination, to ensure the completion of the Project.
- 2. City will carryback a City Land Loan with the following terms:
  - a. The loan amount will be equal to the Purchase Price, or \$208,000;
  - b. The interest rate will be 3.00% simple interest;
  - c. The term of the loan will be 57 years from the date of the City Land Note;

- d. Annual payments will be in the form of 50% of the Residual Receipts for the previous year, subject to proration with other soft funding sources;
  - e. The loan will be subordinated to the construction and permanent loans; and
  - f. The loan will be due and payable at the end of the term.
3. Prior to close of escrow on the conveyance of the Site, the following must occur:
  - a. City must deliver executed City Land Note documents to the Borrower;
  - b. City must not be in Default;
  - c. City has the right to approve or disapprove any submittal by the Borrower;
  - d. Determine that no adverse Site conditions exist that may interfere with the development of the Site.
  - e. City has received written confirmation from the Title Company that the Title Company is committed to issue to the City, at close of escrow, at no cost to the City, a Title Insurance Policy.
  - f. City approves the Financing Plan and any revised Project Budget.
  - g. Shall have received an estimated closing cost statement of costs from the Escrow Agent.
  - h. Shall have executed and delivered to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
4. HCID General Manager or designee must approve changes to the Project Budget.
5. The City must approve or disapprove the final Financing Plan.
6. Other than closing costs to be paid by Borrower, any other costs, expenses or fees of the Escrow are to be paid by party who customarily pays for such costs in Los Angeles County.
7. HCID is authorized to approve one or more reasonable 20 day extensions to the Closing Date, up to six months from the Close of Escrow date provided in the Schedule of Performance.
8. City has the right but not obligation to inspect the Site throughout construction of the Improvements and to the extent permitted by any Inter-Creditor Agreement, to review and provide comments to other lenders regarding the disbursement of construction sources of financing.
9. The City has the right in its sole discretion to accept insurance policies with lower limits than the minimum limits set forth in the Agreement.
10. City will provide a Certification of Completion once the Borrower provides a written request and upon Borrower's obtaining a certificate of occupancy from the City. The Certification of Completion will be recorded.
11. City will monitor operations at the Project per Health and Safety Code Section 33418(a).

12. In the event of a default or breach by the Borrower under the terms of any Security Financing Interest prior to the completion of construction of the Project, the City may cure the default or breach, prior to the completion of any foreclosure.

**II. COST OF THE AGREEMENT TO THE CITY**

The former CRA/LA and City have already incurred costs associated with assembling the Site and will incur additional costs to implement the proposed Agreement. These costs are detailed in this section of the analysis.

Site Acquisition Costs	\$200,000
Demolition / Remediation Costs	0
<b>Previously Incurred CRA/LA / City Costs</b>	<b>\$200,000</b>

	Nominal \$	Present Value
Previously Incurred CRA/LA / City Costs	\$200,000	\$200,000
Transaction Costs	50,000	50,000
City Asset Management	22,000	22,000
Total Costs to City	\$272,000	\$272,000
(Less) City Loan Payments	(344,000)	(113,000)
<b>Total Net Costs / (Revenues) Due to Agreement</b>	<b>(\$72,000)</b>	<b>\$159,000</b>

The total net revenue to the CRA/LA and City is estimated to equal approximately \$72,000 in nominal dollars and a \$159,000 net cost in present value terms.

**III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN**

California Health and Safety Code Section 33433 requires the City to identify the value of the interests being conveyed at the highest use permitted under the zoning in place on the Site. The valuation must be based on the assumption that the property is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the City.

The Site is currently zoned [Q]C2-1, which allows for commercial and residential uses. The Site is improved with a vacant single-story duplex. In an appraisal dated August 13, 2020, Gold Coast Appraisals, Inc. (Appraiser) concluded that the fair market value of the Site, is \$208,000. It should be noted that the appraisal takes into account that the Site has a \$200,000 lien against it from the HCD Loan and that the use restrictions are to remain in place for an additional eight years plus one month. Therefore, the estimated fair market value of the interest to be conveyed at the highest use permitted under the zoning in place for the Site is approximately \$208,000.

<sup>3</sup> The net present value of the projected loan payments assume a 6% discount rate.

#### **IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED**

Keyser Marston Associates, Inc. (KMA), the City's financial consultant, prepared a reuse valuation analysis of the Site based on the financial terms and conditions imposed by the Agreement, the HCD Loan restrictions, and the approved TOC application. The KMA analysis concluded that the fair reuse value of the Site is \$0. This means that the Site would need to be conveyed to the Borrower at no cost to make the scope of development required by the Agreement financially feasible.

#### **V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE**

The Agreement imposes extraordinary controls on the Site. The impacts created by these requirements reduce the value of the fee simple interest in the Site from \$208,000 at the highest use permitted under the Site's zoning and existing liens, to the established fair reuse value of \$0. The City will be providing a \$208,000 residual receipts loan for the purchase price in order for the Project to be feasible.

The Agreement states that the City will sell the Site to the Borrower. Given that the purchase price anticipated to be received by the City will be greater than the established fair reuse value of \$0, it can be concluded that the City is receiving fair consideration for the interests being conveyed to the Borrower.

#### **VI. BLIGHT ELIMINATION**

The Agreement includes placing affordability restrictions on the units for 55 years. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low or moderate income persons satisfies the blight elimination criteria imposed by Section 33433. Thus, the scope of development required by the Agreement fulfills the blight elimination requirement.

#### **VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN**

The goals and objectives identified in the Five-Year Implementation Plan for 2010 – 2014 for the Bunker Hill Redevelopment Project Area that will be achieved through the implementation of the Agreement are as follows:

- To provide affordable housing.