

Agenda Report

December 13, 2010

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: HOUSING DEPARTMENT

**SUBJECT: MODIFICATION OF TERMS OF CITY FUNDING
ASSISTANCE FOR HUDSON OAKS AFFORDABLE SENIOR RENTAL
HOUSING PROJECT AT 1267 N. HUDSON AVENUE**

RECOMMENDATION:

It is recommended that City Council modify the terms of funding assistance for the Hudson Oaks housing project by eliminating the reduction in City financial assistance based on the receipt of County of Los Angeles "Industry" funds thereby allowing the project to receive the full allocation of \$4,456,350 in City housing funding assistance that has been appropriated for the project.

BACKGROUND:

The Hudson Oaks project involves the renovation of a vacant, fire-damaged three-story 46-unit apartment building located at 1267 N. Hudson Avenue, into an affordable rental housing project for very low income senior citizens. The project developer is Abode Communities (formerly the Los Angeles Community Design Center), a non-profit organization with a successful 42-year track record of developing more than 50 affordable housing projects totaling over 3,000 units.

At its regular meeting of June 22, 2009 the City Council approved the terms and conditions of a development transaction with the developer which included an appropriation of housing funds for the project in an amount not to exceed \$4,312,115, bringing the City funding assistance for the project to a total of \$4,456,350 (including \$144,235 in predevelopment funds that the City approved in February 2009). Included in the approval was a condition that the City's housing funds appropriated to the project would be reduced, on a dollar for dollar basis, if the developer were successful in obtaining funding from the County of Los Angeles "Industry" program.

On November 17, 2010 the developer successfully completed its financing package of which Industry funding (\$1.42 million) is a component. Consequently, given the Council's prior direction, the amount of City financial assistance would be reduced to

\$3,087,350. However, given current market conditions, capping the City funding at this amount would result in a financing gap of equal magnitude. The developer lowered project development costs by approximately \$1.09 million (including a reduced developer fee) compared to the transaction approved in June 2009. However, this savings is offset by an overall \$2.51 million shortfall in financing sources which results in a financing gap of approximately \$1.42 million. Although Abode was unable to secure the low income housing tax credit component of the original financing plan, the developer succeeded in obtaining an award from the State on November 17, 2010 of grant funds in the amount of \$6,987,454 under the Section 1602 American Recovery and Reinvestment Act of 2009 (ARRA) program. The changes in overall project cost and project financing are summarized in the following table:

	June 2009	December 2010	Change
Project Cost	\$18.05 million	\$16.96 million	\$1.09 million savings
Project Financing	\$18.05 million	\$15.54 million*	\$2.51 million shortfall
Gap	\$0	\$1.42 million	\$1.42 million

*This figure assumes that City housing fund assistance is capped at \$3,087,350.

PROJECT STATUS:

The award of the Section 1602 ARRA funds represents the final critical funding piece for the project. Due to statutory requirements, the State has imposed a very short time frame to disburse these grant funds. December 20, 2010 is the scheduled closing date for the first disbursement and January 14, 2011 is the scheduled date for the closing of the various construction financing sources, Commission acquisition of the project site, and lease-back to the developer. Renovation of the project is anticipated to commence immediately after the closing.

COUNCIL POLICY CONSIDERATION:

This proposed action supports the City Council Strategic Planning Three-Year Goals, specifically in the areas of improving, supporting the quality of life and the local economy, and maintaining fiscal responsibility and stability.

FISCAL IMPACT:

On June 22, 2009 the City Council approved an appropriation of housing funds in an amount not to exceed \$4,312,115 for the Hudson Oaks project, bringing the City funding assistance for this project to a total of \$4,456,350 (this includes \$144,235 in predevelopment funds that the City approved in February 2009). As such, approval of the subject recommendation will not change total appropriations for the project. However, it will reduce the amount of housing funds available for other projects. A total of \$9.45 million in housing funds remains available to make funding commitments to

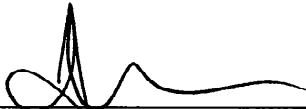
assist projects currently in the department's affordable housing development pipeline that are anticipated to move forward in the second half of FY 2011.

Respectfully submitted,



for _____
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