

**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  
HOMES FOR FAMILIES, A CALIFORNIA NON-PROFIT 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 Disposition and Development Agreement (Agreement) between the City of Los Angeles (City) and Homes for Families, a California non-profit benefit corporation (Developer). The Agreement requires the City to sell the parcels located at 5623 – 5633 Elmer Avenue (Site), Assessor's Parcel Numbers 2337-035-900 and 2337-035-901.

Upon conveyance of the Site, the Developer is required to develop the Site with a for-sale small lot subdivision consisting of 12 three-bedroom single family homes, and two lots will be used for community space (Project). The units will be income and sales price restricted to Moderate Income Households pursuant to California Health and Safety Code (H&SC) Section 50093 for a period of 45 years. The units will be targeted towards veterans. The Project will also include open green space, a designated community garden plot for each unit, and communal area for recreation.

The Site was acquired in 1993 by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) for \$825,000. The CRA/LA intended to develop an affordable housing project on the Site; however, that project never materialized. The funding source for the acquisition was Bunker Hill Low & Moderate Income Replacement Housing Trust funds (Housing Trust Funds).

Following the dissolution of redevelopment in California on February 1, 2012, the Site was ultimately conveyed to the City of Los Angeles Housing Department (LAHD) acting as the "Housing Successor Agency." At this time, LAHD wishes to convey the Site to the Developer to carry out the Project.

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 Developer 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 Developer and the City by the Agreement.
- II. **Cost of the Agreement to the Authority:** 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 consists of approximately has been vacant since 1992.
2. The Project will include 12 three-bedroom single family homes with an average unit size of 1,246 square feet.
3. The Project will have a total gross building area (GBA) of approximately 14,946 square feet.
4. Since the Site was purchased with Housing Trust Funds, the units must be sold to moderate income households that earn up to 120% of the Los Angeles County median income (AMI) as defined in H&SC Section 50093. The affordable sales prices must not exceed the amount derived under the H&SC Section 50052.5 calculation methodology. The units will be restricted for a 45-year period from the sale of each unit.

5. The Project amenities include open green space, designated community garden plots for each unit, and a communal area for recreation.

### **Developer Responsibilities**

The Agreement requires the Developer to accept the following responsibilities:

1. The Developer will purchase the Site from the City for \$1 (Purchase Price).
2. The Developer will provide a “Developer Silent Purchase Assistance Loan” in the amount of \$57,267 to each Eligible Household Buyer:
  - a. The proceeds of these loans shall be used to pay a portion of the Affordable Housing Cost.
  - b. Each loan will be secured by a security instrument junior in priority to the CalVet Senior Purchase Assistance Loan Deed of Trust and the City Soft Second Purchase Assistance Deed of Trust.
  - c. For those Eligible Household Buyers that do not qualify for a City Soft Second Purchase Assistance Loan, but do qualify for and accept a CalVet Senior Purchase Assistance Loan, the Developer shall use other fundraising sources to increase the Developer Silent Purchase Assistance Loan by \$40,000 for a total of \$97,267 ( $\$57,267 + \$40,000 = \$97,267$ ).
3. Prior to the Close of Escrow, the Developer shall:
  - a. Verify to the City in writing that all information provided to the City is true and correct; and the Developer is in full compliance with the terms of the Agreement.
  - b. Provide the City with a written Opinion of Developer’s Counsel with respect to:
    - (i) Legality, validity and binding effect of the Agreement and its enforceability against Developer 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 Developer to perform pursuant to the Agreement; and
    - (iii) Such other standard and customary matters for legal opinions to be given Developer’s counsel in real estate secured financing transactions as reasonably requested by LAHD.
  - c. Provide LAHD with documentation relating to the status of Developer’s entity structure, and those of any general partners or managing members of Developer.
  - d. Receive written confirmation from the Title Company that all conditions precedent to the Close of Escrow have been satisfied, and that the Title Company is committed to issue the required Title Insurance Policies.
  - e. Determine that no adverse Site conditions exist that may interfere with the development of the Site.

- f. Provide the City with evidence of the required Insurance Policies.
  - g. 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 LAHD General Manager or designee.
  - h. Not later than 20 business days prior to the Scheduled Closing Date, submit to the City a Financing Plan for the Project, which will include:
    - (i) A current Project Budget;
    - (ii) A Sources and Uses of funds table, identifying the proposed use of each source of funding for the Project during the construction period; and
    - (iii) If applicable, evidence that Developer has sufficient additional funds available and available to cover any financing deficit.
  - i. Receive an estimated closing cost statement of costs from the Escrow Agent.
  - j. Execute and deliver to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
  - k. Deposit the Purchase Price no later than two business days prior to the Scheduled Close of Escrow.
  - l. Provide the following executed documents (as applicable), not later than two business days prior to the Scheduled Close of Escrow:
    - (i) The Grant Deed;
    - (ii) City Partial Forgivable Land Loan Promissory Note;
    - (iii) City Partial Forgivable Land Loan Deed of Trust;
    - (iv) City Partial Forgivable Loan Agreement;
    - (v) City Conditional Grant Promissory Note;
    - (vi) City Conditional Grant Deed of Trust;
    - (vii) City Conditional Grant Agreement;
    - (viii) City Partial Forgivable Land Loan Regulatory Agreement,
    - (ix) City Conditional Grant Regulatory Agreement;
    - (x) Notice of Affordability Restrictions;
    - (xi) Assignment of Agreements, Plans, Specifications and Entitlements (not recorded);
    - (xii) Intercreditor Agreement (if any, not recorded); and
    - (xiii) Statutory Request for Notice must be executed and recorded.
4. The Developer must demonstrate evidence of financing within 24 months following the date of execution of the Agreement.

5. Prior to the Close of Escrow, the Developer shall execute the following agreements:
  - a. Regulatory Agreements and the notice of Affordability Restrictions, which shall be recorded against the Site upon the Close of Escrow.
  - b. The City Partial Forgivable Regulatory Agreement, which shall have a term of five years commencing upon execution of the City Partial Forgivable Land Loan Promissory Note.
  - c. The City Conditional Grant Regulatory Agreement, which shall have a term of three years commencing on the date of Commencement of Construction.
6. During the term of the City Partial Forgivable Land Loan Documents and the City Conditional Grant Loan Documents, the Project must be maintained and secured at all times.
7. Scope of Development Requirements:
  - a. Developer must construct the Project in conformance with the Agreement's Scope of Development, the Final Construction Drawings, and the terms and conditions of all City approvals and any other governmental approvals.
  - b. Developer must follow the Multifamily Housing Design Guidelines.
  - c. Developer must follow Environmentally Responsive Design Guidelines of March 19, 2007.
  - d. The Project must be consistent with the latest California Energy Commission requirements.
8. Not later than the time set forth in the Schedule of Performance, the Developer shall submit to LAHD for review and approval the name and qualifications of the architect selected to design the Project. The Developer shall cause the architect to prepare Project Documents in compliance with the Agreement including:
  - a. Basic Concept Drawings;
  - b. Schematic Design Drawings;
  - c. Design Development Drawings;
  - d. Final Construction Drawings;
  - e. Disabled Access Requirements; and
  - f. Federal Funds Disclosure, if applicable.
9. Developer must commence construction and complete construction of the Improvements within the time set forth in the Schedule of Performance and the Developer is solely responsible for the construction of the Improvements.
10. Developer must comply with the following City policies:
  - a. Relocation requirements;
  - b. Construction signs;

- c. Publicity;
  - d. Progress Reports;
  - e. Entrance onto the Site by the City;
  - f. Mechanics' Liens;
  - g. Nondiscrimination, Equal Opportunity policies;
  - h. Affirmative Outreach in Contracting;
  - i. Employment of Project Area Residents;
  - j. Community Outreach Plan Policy;
  - k. General Information;
  - l. Prevailing Wages, as applicable;
  - m. City's Living Wage Ordinance and Service Contractor Worker Retention Ordinance;
  - n. City's Equal Benefits Ordinance;
  - o. Contractor Responsibility Ordinance;
  - p. Slavery Disclosure Ordinance;
  - q. First Source Hiring Ordinance;
  - r. Child Support Assignment Orders;
  - s. Fair Chance Initiative for Hiring Ordinance;
  - t. Labor Compliance meeting;
  - u. Border Wall Contracting; and
  - v. Pet Ownership in Publicly-Financed Housing Developments.
11. Developer 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. Developer must also provide an ADA Certification.
12. The proposed financing sources are anticipated as follows:
- a. One or more construction loans provided by Cal Vet Senior Purchase Assistance Loan and the City Conditional Grant, which have been approved by LAHD.
  - b. Developer Equity as follows:
    - (i) Developer Equity Contribution from fundraising efforts in the amount set forth in the Project Budget. The Developer Equity Contribution shall only be repaid on a pro rata basis as each home is sold to an Eligible Household Buyer.

- (ii) Developer shall be responsible for providing or securing any additional funds needed to pay for cost overruns and contingencies not otherwise funded by the sources of Construction Financing.
  - (iii) Developer Equity shall consist of funds provided by the Developer, or borrowed funds, as long as repayment is not secured by any deed of trust on the Site.
- 13. Developer must provide the City with a non-refundable Site control fee totaling \$12,000. It should be noted that the Developer has already provided this fee to the City.
- 14. If the Developer discovers the presence of Hazardous Materials on, under or about the Site prior to the commencement of construction, the Developer is responsible for the first \$100,000 of remediation costs. If remediation costs exceed \$100,000, then the City and Developer 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.
- 15. Developer 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 Developer or any contractor/subcontractor of Developer; and/or
    - (iii) After issuance of a Certificate of Occupancy, but prior to the sale of each Affordable Unit, the rehabilitation, operation, maintenance or management of the Improvements.
  - b. Any and all Claims from:
    - (i) The failure of the Developer 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 Developer, in connections with handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials.
- 16. Developer will provide evidence of the following insurance coverage:
  - a. Developer and Developer'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; and
    - (iv) Commercial automobile insurance coverage in minimum limits of not less than \$1 million.
  - b. During construction and until a Certificate of Occupancy (COO) has been issued by the City, Developer will carry Builder's Risk coverage for the Improvements.
  - c. After completion of the construction, but prior to the sale of each Affordable Unit, Developer will maintain
    - (i) Property insurance on the Improvements; and
    - (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.
- 17. The following summarizes the closing costs to be paid by the Developer:
  - 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.
- 18. After Close of Escrow, most deeds of trust and other real property security instruments are permitted to be placed on Developer's interest in the Site, to the extent consistent with Developer's Financing Plan and Project Budget, as approved by City.
- 19. Only Permitted Transfers as defined in the Agreement can occur.

### **City Responsibilities**

The Agreement imposes the following responsibilities on the City:

- 1. City will sell the Site to the Developer in "As-Is" condition for the Purchase Price. Until the issuance of the Certificate of Completion, the City's conveyance of Site shall be subject to a power of termination, to ensure the completion of the Project.
- 2. The City will provide the Developer a "City Partial Forgivable Land Loan" equal to the \$2,801,000 appraised value of the Site. The City Partial Forgivable Land Loan will have the following terms:
  - a. The City Partial Forgivable Land Loan shall be deemed made to the Developer in full upon satisfaction of all Conditions Precedent and the Close of Escrow.
  - b. The loan will have a five year term commencing on the date of execution.
  - c. Upon sale of each completed Affordable Unit to an Eligible Household Buyer, 1/12 of the Appraised Value (\$233,417) less \$40,000 shall be forgiven. As such,



the net loan forgiveness amount equates to \$193,417 per unit. However, this amount will be no more than the Affordable Housing Cost.

- d. As each Affordable Unit is sold to an Eligible Household Buyer, \$40,000 of the City Partial Forgivable Loan will be converted into a “City Soft Second Purchase Assistance Loans” in which the City will be borrower.
  - (i) The term of the City Soft Second Purchase Assistance Loans shall be 45 years commencing on the date each loan is executed.
  - (ii) Each City Soft Second Purchase Assistance Loan will require a City Soft Second Purchase Assistance Regulatory Agreement that will contain resale restrictions to Eligible Household Buyers at an Affordable Housing Cost, and will remain in place for 45 years.
  - (iii) The City Partial Forgivable Land Loan will be secured by a Deed of Trust.
  - (iv) The interest rate will be 0%.
  - (v) In the event of a default that is not cured by the Developer, a 15% default interest rate shall be imposed by the City.
3. The City shall grant the Developer \$480,000 of CRA/LA Excess Housing Bond Proceeds (City Conditional Grant):
  - a. The City Conditional Grant shall be conditioned upon:
    - (i) The Developer taking title to the Site upon the Close of Escrow; and
    - (ii) The occurrence of each of the Conditions Precedent set forth in Section 3.1 of the Agreement.
  - b. The City Conditional Grant shall have the following terms:
    - (i) The principal amount is \$480,000;
    - (ii) The term shall be three years commencing from the date of Commencement of Construction;
    - (iii) Once all 12 Affordable Units have been sold to Eligible Household Buyers in accordance with the Agreement, the Developer will have no further obligation to the City in relation to the City Conditional Grant; and
    - (iv) In the event of a default that is not cured by the Developer, a 15% default interest rate shall be imposed on the City Conditional Grant.
4. Prior to close of escrow on the conveyance of the Site, the following must occur:
  - a. City must not be in Default.
  - b. City has the right to approve or disapprove any submittal by the Developer.
  - c. City shall determine that no adverse Site conditions exist that may interfere with the development of the Site.

- d. 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.
  - e. City approves the Financing Plan and any revised Project Budget.
  - f. City shall have received an estimated closing cost statement of costs from the Escrow Agent.
  - g. City shall have executed and delivered to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
  - h. LAHD General Manager or designee has approval rights over changes to the Project Budget.
  - i. LAHD must approve or disapprove the final Financing Plan.
5. Other than closing costs to be paid by Developer, 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.
  6. LAHD 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.
  7. 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.
  8. 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.
  9. City will provide a Certification of Completion once the Developer provides a written request and upon Developer's obtaining a COO from the City. The Certification of Completion will be recorded.
  10. City will monitor operations at the Project per California Health and Safety Code Section 33418(a).
  11. In the event of a default or breach by the Developer 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.

### III. 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.

Costs of the Agreement to the CRA/LA and City	
CRA/LA Site Acquisition Costs	\$825,000
City Transaction Costs	30,000
City Cash Assistance (Conditional Grant)	480,000
Total Costs to the CRA/LA and City	\$1,335,000
(Less) Developer Deposit	(12,000)
(Less) Purchase Price for the Site	(1)
Total Net Costs Due to the Agreement	\$1,322,999

As can be seen in the preceding table, the total net costs to the CRA/LA and City are estimated to equal approximately \$1,323,000 in nominal dollars.

### IV. 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 RD 1.5-1VL, which allows for the development of residential dwelling units. The Site is currently vacant. In an appraisal dated April 22, 2022, Gold Coast Appraisals, Inc. (Appraiser) concluded that the fair market value of the Site is \$2,801,000. 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 \$2,801,000.

### V. 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 KMA analysis concluded that the fair reuse value of the Site is negative \$2,619,000. This means that the Site would need to be conveyed to the Developer at no cost and \$2,619,000 in outside funding assistance needs to be obtained to make the scope of development required by the Agreement financially feasible.

## **VI. 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 Site from \$2,801,000 at the highest use permitted under the Site's zoning, to the established fair reuse value of negative \$2,619,000. As such, given that the Purchase Price to be received by the City will be greater than the established fair reuse value of negative \$2,619,000, it can be concluded that the City is receiving fair consideration for the interests being conveyed to the Developer.

It is important to note, that for the Project to achieve financial viability, the Site must be donated to the Project at no cost, and \$2,619,000 in outside funding assistance needs to be obtained. The Developer has committed to obtaining a total of \$2,139,000 in donations from the following sources:

1. In-kind services;
2. Revenues from corporate team builds, events and other functions; and
3. Foundation and corporate grant revenues.

While the amounts may vary between the sources, the total donations will not be less than \$2,139,000. To fill the remaining financial gap associated with the Project, LAHD has agreed to provide a \$480,000 Conditional Grant to the Developer.

## **VII. BLIGHT ELIMINATION**

The Agreement includes placing affordability restrictions on the units for 45 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.

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

The Elmer Court Family Housing Project was identified in the final CRA/LA Five-Year Implementation Plan for 2011 – 2015 (Implementation Plan) for the North Hollywood Redevelopment Project Area. In the Implementation Plan, the Site was envisioned to be developed with the Elmer Court Family Housing Project which would consist of a 10-unit homeownership project targeted to family households. Given that the proposed Project is similar to the originally envisioned project for the Site, the goals identified in the Implementation Plan will conform to the requirements set forth in the Agreement.