

**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
STEPS ST. A., L.P.,
A CALIFORNIA LIMITED PARTNERSHIP**

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 Steps St. A., L.P., a California limited partnership. The Project will be developed by Clifford Beers Housing (“Developer”). The Agreement requires the City to ground lease the following parcels (Site), totaling 8,912 square feet, to the Developer:

Parcel Address	APN
1808 S. St. Andrews Place	5073-014-900

The Developer proposes to renovate the existing house at the front of the Site to include eight units, and construct a three-story addition at the rear of the Site to include 12 units, for a total of 20 units. A 646 square foot community recreation building will be constructed between the existing structure and the addition. No parking will be provided on the Site (Project). Seventeen (17) of the units will be set aside for chronically, disabled or other homeless veterans, and two units will be general affordable housing for veterans. One unit will be un-restricted and set-aside for an on-site manager.

The Site was acquired by the former CRA/LA in 2010 for redevelopment purposes. The Site is located in the former Mid-City Corridors Project Area. Per CRA/LA’s accounting records, the Site was purchased with Low and Moderate Income Housing Set-Aside funds. On April 5, 2013, the Housing and Community Investment Department (HCID) of the City was designated as the Housing Successor for the former CRA/LA. HCID has since change to the Los Angeles Housing Department (LAHD).

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 is currently improved with a 2,925 square foot house at the front of the Site, which totals approximately 8,912 square feet of land area.
- 2. The Project will have a total gross building area (GBA) of approximately 8,213 square feet, or a 0.92 FAR. The following breaks out the proposed GBA:

	Square Footage
Renovated Living Area	2,925
New Construction Living Area	4,642
Community Room	646
Total Gross Building Area	8,213

3. Eight (8) of the units will be provided in renovated existing building and 12 units will be provided in the three-story new construction addition. No parking will be provided on Site.
4. The Project will include the following unit mix:

	Number of Units	Unit Sizes (Sf)
Renovated Building – Studio Units	8	366
New Construction – Studio Units	12	387
Totals/Averages	20	378

5. The Regulatory Agreement associated with the Agreement will place the following affordability restrictions on the Improvements for a 55-year term, and will only be applied to the Site:¹

	Studio Units	Total Units
Lower Income (80%) Schedule I	15	15
Moderate Income Schedule VII	4	4
Totals	19	19

6. The residential units will be restricted by additional regulatory agreements. Combined with the City's Regulatory Agreement, the stricter restrictions will prevail.

- a. The TCAC and VHHP Regulatory Agreements will restrict 19 of the units to the following income categories for 55 years:¹

	Studio Units	Total Units
15% AMI	3	3
30% AMI	13	13
45% AMI	1	1
Totals	7	17

- b. The City TOC Regulatory Agreement for Tier 3 projects will restrict 19 units to the following income categories:

	3-Bdrm Units	Total Units
Extremely-Low Income (Schedule VI)	12	12
Very-Low Income (Schedule VI)	3	3
Low Income (Schedule VI)	4	4
Totals	19	19

- c. There will be 15 Project Based Vouchers included in the Project.

7. The Project's amenities will include a roof deck, common room, laundry room, large front yard, edible landscaping, 20 long-term and two short-term bicycle parking spaces, and

¹ One (1) studio unit will be unrestricted and reserved for the on-site manager. These restrictions also meet the Surplus Land Act requirements.

office space to provide on-site supportive services The permanent supportive housing units will be furnished.

8. Social services will be provided by a to-be-determined Los Angeles County-authorized service provider. It is anticipated that The People Concern (TPC) will act as service provider for the Project. TPC specializes in formerly homeless households will provide services to the PSH units.

The Site is currently zoned R3, which allows for single-family residences. The Project is allowed by-right under the provisions of the Transit Oriented Communities Program. The Project has a statutory CEQA exemption.

Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. The Developer will ground lease the Site from the City pursuant to the following terms:
 - a. A 99-year Ground Lease term consisting of a 55-year initial term (Initial Term), followed by four 11-year extensions.
 - b. During the Initial Term LAHD will charge an annual rent of \$1, with the option for the Lessee to prepay the rent for the full Initial Term at closing. The Ground Lease Rent will be reappraised and adjusted at the time of each extension, in compliance with State Law requirements for long-term leases.
 - c. There will be no annual residual ground lease rent charged.
 - d. The Ground Lease will not be subordinated to the construction and permanent debt lenders of the Project.
 - e. If the affordability restrictions are no longer in place, then the Project will pay a market ground lease rent based on a fair market rent appraisal at the time the affordability restrictions expire or are removed.
2. Prior to the Close of Escrow, the following must occur:
 - a. The Grant Deed, Ground Lease 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 Developer is in full compliance with the terms of the Agreement.
 - c. 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.
 - d. Provide the LAHD with documentation relating to the status of Developer's entity structure, and those of any general partners or managing members of Developer.
 - 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 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 LAHD 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 Developer 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 up to 99 years from conveyance of the Site and will restrict 19 Units to Low and Moderate Income Households per Health and Safety Code Section 50079.5 and 50093, and the rents to Low and Moderate Income rents per Health and Safety Code Section 50053.
 4. The Regulatory Agreement will also require the Developer 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 longer of the Ground Lease term or 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. Developer 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;
 - d. Must be consistent with TCAC Regulations' Minimum Construction Standards requirements as adopted on May 17, 2017,
 - e. Must be consistent with the latest California Energy Commission requirements.
7. Developer must commence 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. In general, it is expected that the Project will obtain approvals for entitlements and funding sources in order to close escrow on the Site by December 2023. Construction is expected to be completed by January 2026.
8. Developer 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 federal Davis Bacon and state prevailing wages);
 - j. City's Living Wage Ordinance and Service Contractor Worker Retention Ordinance;
 - 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. 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.
10. The following limitations will be placed on the Project Budget:
 - a. Capitalized Operating Reserves – At least three (3) months of operating expenses and debt service;
 - b. Capitalized or Cash Flow Funded Transition Reserves – As required by HCD and/or any other funding source.
 - c. Annual Replacement Reserves – At least \$10,000, or \$500 per unit;
 - d. Developer Fee – Up to 15% of eligible basis, The Developer may defer developer fee to be repaid with cash flow.
11. The Developer'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 conventional construction loan;
 - ii. Federal Tax Credit equity;
 - iii. Deferred costs;
 - iv. Deferred Developer Fee;
 - v. General Partner Equity; and
 - vi. Home Depot Grant.
 - b. Permanent Financing:
 - i. Federal Tax Credit equity;
 - ii. VHHP Loan;
 - iii. Home Depot Grant;
 - iv. Deferred Developer Fee; and
 - v. Project based vouchers from the Housing Authority of the City of Los Angeles ("HACLA").
12. Developer is required to provide the City with a non-refundable Site control fee totaling, \$25,000. It should be noted that the Developer has already provided this fee to the City.
13. 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.

14. Developer will indemnify the City of the following:
 - a. 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. The rehabilitation, operation, maintenance or management of the Improvements.
 - b. 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.
15. 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;
 - 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, Developer will carry Builder's Risk coverage for the Improvements.
 - c. After completion of the construction, Developer 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 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.
17. 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. No permitted Security Financing Interest will encumber any interest in the Site other than the leasehold interest of Developer in the leased premises under the City Ground Lease and Developer's fee ownership of the Improvements located on such leased Site.
18. Only Permitted Transfers can occur until the latest of
- a. Issuance of a Certificate of Completion by the City to the Developer;
 - 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.

Authority Responsibilities

The Agreement imposes the following responsibilities on the Authority:

1. City will ground lease the Site to the Developer in "As-Is" condition. Until the issuance of the Certificate of Completion, the City's conveyance of leasehold shall be subject to a power of termination, to ensure the completion of the Project.
2. City will ground lease the Site to the Developer with the following terms:
 - a. A 99-year Ground Lease term consisting of a 55-year initial term (Initial Term), followed by four 11-year extensions.
 - b. During the Initial Term LAHD will charge an annual rent of \$1, with the option for the Lessee to prepay the rent for the full Initial Term at closing. The Ground Lease Rent will be reappraised and adjusted at the time of each extension, in compliance with State Law requirements for long-term leases.
 - c. There will be no annual residual ground lease rent charged.
 - d. The Ground Lease will not be subordinated to the construction and permanent debt lenders of the Project.
 - e. If the affordability restrictions are no longer in place, then the Project will pay a market ground lease rent based on a fair market rent appraisal at the time the affordability restrictions expire or are removed.
3. Prior to close of escrow on the conveyance of the Site, the following must occur:
 - a. City must deliver executed Ground Lease documents to the Developer;

- b. City must not be in Default;
 - c. City has the right to approve or disapprove any submittal by the Developer;
 - 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. LAHD General Manager or designee must approve changes to the Project Budget.
 5. LAHD must approve or disapprove the final Financing Plan.
 6. 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.
 7. 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.
 8. City has the right but not obligation to inspect the Site throughout construction of the Improvements and to the extent permitted by any Intercreditor 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 Developer provides a written request and upon Developer'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 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.

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.

	Nominal \$
Site Acquisition Costs	\$0
GLASS Acquisition/Rehab Loans	235,000
PMB Mortgage Cured by CRA/LA	800,000
Additional Loans Written Off by CRA/LA	344,213
Previously Incurred CRA/LA / City Costs	\$1,379,213

	Nominal \$	NPV \$
Previously Incurred CRA/LA / City Costs	\$1,379,213	\$1,379,213
Transaction Costs ²	25,000	25,000
City Cash Assistance	0	0
Total Costs to City	\$1,404,213	\$1,404,213
(Less) Developer Deposit	(25,000)	(25,000)
(Less) City Ground Rent Payments ³	(99)	(17)
Total Net Costs / (Revenues) Due to Agreement	(\$1,379,114)	(\$1,379,196)

The total net revenue to the CRA/LA and City is estimated to equal approximately \$99 in nominal dollars and \$17 in net 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 assume 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 R3, which allows single-family residential construction. The Site is improved with a four-bedroom single-family house built in 1910 that has been vacant since 2008. In an appraisal dated September 3, 2022, Gold Coast Appraisals, Inc. (Appraiser) concluded that the fair market value of the Site, is \$1,011,000. 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 \$1,011,000. However, the interest to be conveyed is in the form of a ground lease, which assuming a 6% ground rent rate, would equate to a fair market ground rent of \$60,660 per year.

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 KMA analysis concluded that the fair reuse value of the Site is \$0. Assuming a ground rent rate of 6%, the fair reuse rent is estimated at \$0 per year. This means that the

² Includes approximately \$900 for appraisals and \$20,500 for consulting costs.

³ Assumes a 6% discount rate over the 99-year lease term.

Site would need to be conveyed to the Developer at a no cost ground lease to make the scope of development required by the Agreement financially feasible.

It is important to note that the amount of the City assistance package identified in the Agreement is predicated on the assumption that the Project will receive competitively awarded Low Income Housing Tax Credits. If this source is not received by the Project, the fair reuse valuation conclusion will need to be re-evaluated.

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 leasehold interest in the Site from a ground rent of \$60,660 per year at the highest use permitted under the Site's zoning, to the established fair reuse rent of \$0 per year.

The Agreement states that the City will ground lease the Site to the Developer for \$1 per year. Given that the ground rent payments anticipated to be received by the City will be greater than the established fair reuse rent of \$0, it can be concluded that the City is receiving fair consideration for the interests being conveyed to the Developer.

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 2011 – 2015, in addition to develop affordable housing, for the Mid-City Corridor Project Area that will be achieved through the implementation of the Agreement are as follows:

- Promote the elimination and prevention of blight and deterioration, and promote the conservation, rehabilitation, renewal and redevelopment of the Project Area to the extent permitted by law and Redevelopment Plan.
- Support and encourage the development of social services facilities and programs with special consideration given to projects involving community based organizations that serve the homeless and senior citizens, and that provide child care services and other social services, such as gang prevention and intervention, counseling and programs for teenagers, to enable the development of a community with a variety of lifestyles.
- Recognize, promote and support the retention, restoration and appropriate reuse of existing buildings, groupings of buildings and other physical features especially those having

significant historic and/or architectural value and ensure that new development is sensitive to these features through land use and development criteria.

- Promote the development of sound residential neighborhoods (with careful attention given to the problems of increased land use densities) through mechanisms such as: land use, density, design and property management standards; public improvements, property rehabilitation sensitive in-fill housing; traffic and circulation programming; and development of open spaces and other services necessary to enable residents to live and work in the Project Area.