HOUSING AUTHORITY
of the County of Los Angeles
Administrative Office
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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

December 19, 2006

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Commissioners:

AGREEMENT TO NEGOTIATE EXCLUSIVELY WITH EAST LOS ANGELES COMMUNITY CORPORATION FOR THE PURCHASE, REHABILITATION, AND OPERATION OF VILLA NUEVA HOUSING DEVELOPMENT (1)
(3 Vote)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that entering into a one-year Agreement to Negotiate Exclusively (Agreement) between the Housing Authority and the East Los Angeles Community Corporation (ELACC), a California nonprofit public benefit corporation, for the purchase, rehabilitation and operation of the Villa Nueva housing development, located at 658-676 South Ferris Avenue in unincorporated East Los Angeles, is exempt from the provisions of the California Environmental Quality Act (CEQA), because it does not have the potential for causing a significant effect on the environment.

2. Approve the Agreement with ELACC, presented in substantially final form, for the purposes described above, and authorize the Executive Director to execute the Agreement and any subsequent amendments required to extend the Negotiation Period for an additional year, to be effective following approval as to form by County Counsel and execution of all parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the Housing Authority to negotiate exclusively with ELACC the terms of a Development and Disposition Agreement (DDA), for the purchase, rehabilitation, and operation of Villa Nueva.

FISCAL IMPACT/FINANCING:

There is no fiscal impact.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority owns and operates Villa Nueva, a 21-unit multi-family affordable housing development located in unincorporated East Los Angeles.

On February 14, 1985, the Housing Authority entered into a Development Agreement with the California Department of Housing and Community Development (HCD) for the acquisition, construction, and operation of Villa Nueva. The Housing Authority also entered into a 30-year Regulatory Agreement which required that Villa Nueva comply with HCD's Rental Housing Construction Program regulations. These regulations require that the units be rented to very low-income households with incomes at 50% or below the area median income for the Los Angeles – Long Beach Metropolitan Statistical Area, and households pay no more than 25% of their income towards rent.

The above regulatory restrictions make it difficult to support the project's true operating costs, which include overhead costs that are charged by other departments for services. Program regulations require that any surplus revenues be returned to the State. Furthermore, program regulations require that requests for capital improvements be submitted to HCD for review and authorization before withdrawal of funds from the HCD replacement reserve account. Because these reserves have been insufficient to support the necessary capital improvements, the Housing Authority has had to subsidize these costs with its own funds.

Given that the project cannot retain sufficient funds to support its true operating costs and there is a need for additional funds to undertake capital improvements, the Housing Authority wishes to transfer the property to a nonprofit developer that can access funds not available to the Housing Authority, such as multi-family tax exempt bonds, tax credits, HOME, and state funds to rehabilitate and operate Villa Nueva.

On July 20, 2006, the Housing Authority issued a Request For Statements of Qualifications (RFSQ), from qualified developers or joint ventures/partnerships to acquire, rehabilitate, own and manage Villa Nueva. One proposal was received on August 21, 2006, from ELACC. ELACC's proposal met threshold and technical scoring requirements based on the experience of the developer, and the contractor, architect, and property management company team, and therefore, ELACC is being considered as the future owner for Villa Nueva.

The attached Agreement will enable the Housing Authority to negotiate a DDA with ELACC. Discussions will include the purchase price, additional considerations to be paid to the Housing Authority by ELACC, the parameters of management services, and other project-related matters.

The Agreement does not commit the Housing Authority to any particular course of action. However, it is the Housing Authority's intention that there be no tenant displacement or relocation. The project will remain low-income rental property for the term of the HCD loan, and additional "affordable years" may be part of the transfer of ownership.

The Housing Authority may, during the Negotiation Period, hold public meetings to gather input from the community. ELACC will also be part of any public meetings that are held. The DDA will be submitted to your Board for approval upon conclusion of negotiations.

The Agreement will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

This Agreement is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15061(c)(3) because it does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROJECT

The Agreement will allow the Housing Authority to negotiate terms of a DDA with ELACC, which will ultimately improve the affordable rental housing supply in the County.

Respectfully submitted,

Bobbette A Glover
for CARLOS JACKSON
Executive Director

Attachment: 1

VILLA NUEVA

AGREEMENT TO NEGOTIATE EXCLUSIVELY

by and between

HOUSING AUTHORITY

OF THE COUNTY OF LOS ANGELES

and

EAST LOS ANGELES COMMUNITY CORPORATION

VILLA NUEVA
AGREEMENT TO NEGOTIATE EXCLUSIVELY

THIS AGREEMENT TO NEGOTIATE EXCLUSIVELY (the "Agreement") is entered into this _____ day of _____, 2006, by and between the HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body, corporate and politic ("HACOLA"), and EAST LOS ANGELES COMMUNITY CORPORATION, a California nonprofit public benefit corporation ("Developer"), on the terms and conditions set forth below. HACOLA and Developer are sometimes referred to collectively herein as the "Parties" and each individually as a "Party".

RECITALS

A. WHEREAS, HACOLA issued a Request for Statements of Qualifications ("RFSQ") on July 20, 2006, for the acquisition, rehabilitation, and management of Villa Nueva, a 21-unit multifamily housing development in unincorporated East Los Angeles (the Site);

B. WHEREAS, the Developer was selected, through an evaluation process, to be offered an Exclusive Right to Negotiate in accordance with the RFSQ's requirements; and

C. WHEREAS, HACOLA is desirous of negotiating exclusively with the Developer.

NOW, THEREFORE, the Parties agree as follows:

[100] Duration of this Agreement

The duration of this Agreement shall be for one year from the date first written above plus any extensions mutually agreed to by the Executive Director of HACOLA and the Developer ("Negotiation Period"). The Board of Commissioners of the Housing Authority of the County of Los Angeles ("Board of Commissioners") have authorized the Executive Director of HACOLA to extend this Agreement for up a maximum of 360 days. If upon the expiration of the Negotiation Period, the Developer has not signed a Disposition and Development Agreement (DDA) satisfactory to HACOLA, then this Agreement shall automatically terminate.

[101] Deposit

Prior to the execution of this Agreement by HACOLA, the Developer shall submit to HACOLA a non-refundable good faith deposit (the "Deposit") in the amount of TWO THOUSAND FIVE HUNDRED DOLLARS ($2,500.00). The Deposit shall ensure that the

Developer will proceed diligently and in good faith to negotiate and perform all of its obligations under this Agreement.

[200] Negotiations

[201] Good Faith Negotiations

HACOLA and the Developer agree to negotiate diligently during the Negotiation Period set forth above and in good faith to prepare the DDA for execution by the Developer and for submission and approval by the Board of Commissioners, in the manner set forth herein with respect to the rehabilitation of the Site as referenced in Section 301 herein. HACOLA agrees, for the Negotiation Period, not to negotiate with any other person or entity regarding property management, rehabilitation or transfer of the Site. During the term of this Agreement, except as provided in the RFSQ, HACOLA shall keep confidential all information, plans, projections, and reports provided to HACOLA by the Developers in connection with the review, evaluation and rehabilitation of the Site and shall not disclose any such material to any third party, except to the extent required by law, without the express written consent of the Developer.

In the event at any time during the Negotiation Period the Developer does not negotiate diligently and in good faith as determined by HACOLA in its reasonable discretion, HACOLA shall give written notice, with a description of the failure and an explanation of the actions needed to cure, thereof to the Developer who shall then have thirty (30) calendar days to negotiate in good faith to the reasonable satisfaction of HACOLA. Following the receipt of such notice and the failure of the Developer to thereafter negotiate in good faith within said thirty (30) calendar days, this Agreement may be terminated upon written notice by HACOLA. In the event of such termination by HACOLA, HACOLA shall retain the Deposit and any interest earned thereon.

Except as provided in the preceding paragraph, upon termination of this Agreement on or before the expiration of the Negotiation Period (which may include any authorized extension of the original one-year period), neither party shall have any further rights against or liability to the other under this Agreement.

If a DDA is approved and executed by HACOLA and the Developer, the agreements shall thereafter govern the rights and obligations of the parties with respect to the property management, transfer of ownership and rehabilitation and shall supersede this Agreement.

[300] Development Concept

[301] Scope of Development

The negotiations between the Developer and HACOLA shall be for the transfer of ownership, rehabilitation and management that the Developer will propose for the Site.

[400] Purchase Price and/or Other Consideration

A purchase price for the property to be paid to HACOLA by the Developer, and/or other consideration, if any, to be paid to HACOLA by the Developer will be identified and included in the DDA.

[500] The Developer

[501] Nature of the Developer

The East Los Angeles Community Corporation is a California nonprofit public benefit corporation. It is understood that the DDA can be entered into by affiliates of the Developer, upon review and approval by HACOLA.

[502] Office of the Developer

The principal office of the Developer is:

East Los Angeles Community Corporation
530 South Boyle Avenue
Los Angeles, CA 90033
ATTENTION: Maria Cabildo, Executive Director

Maria Cabildo, or her designee, is the authorized representative for the Developer to administer and implement this Agreement.

[503] Full Disclosure

The Developer shall fully disclose to HACOLA any changes of its president, executive director, board members, members, major partners, joint venture partners, key managerial employees, other associates (collectively, "principals"), and all other changes in material information concerning the rehabilitation and operation, including education, experience, and qualifications of Developers and their principals whose identities, development experience, and qualifications were submitted with the Statements of Qualifications and are of great importance to HACOLA and the basis for HACOLA to enter into this Agreement.

Any change of the president or executive director of the Developer must be approved by HACOLA in its reasonable discretion during the term of this Agreement.

[600] The Financial Capacity of the Developer

[601] Financial Ability

Prior to approval and execution of the DDA by the Developer and HACOLA, the Developer shall submit to HACOLA a proposed plan and budget for the acquisition, rehabilitation, and operation of the Site, and it shall be to the satisfaction of HACOLA in its sole discretion.

[700] Pre-development Activities by the Developer

[701] Public Participation

During the Negotiation Period, HACOLA may hold public meetings to obtain community comment on the proposed rehabilitation. As requested by HACOLA, the Developer shall attend such public meetings and be prepared to report on the status of the proposed rehabilitation and respond to questions and comments by the community.

[702] Inspections

Developer will be granted the right to inspect the Site to perform its due diligence. A three-day notice will be provided to residents and HACOLA before each inspection.

[703] Findings, Determinations, Studies and Reports by the Developers

Upon reasonable notice, as requested by HACOLA in its sole discretion, the Developer shall provide written progress reports to HACOLA on any matters, including plans and studies, if any, related to the Site.

[800] HACOLA

[801] Office of HACOLA

The principal office of HACOLA is:

Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
ATTENTION: William K. Huang, Director
Housing Development and Preservation Division

The Director of the Housing Development and Preservation Division is HACOLA's authorized representative to administer and implement this Agreement, subject to any appropriate approvals of the Executive Director and/or Board of Commissioners.

[802] Approval Process

Approval to enter into a DDA will require an action by the Board of Commissioners. All other matters under this Agreement will require the approval of the Executive Director, or his designee.

[900] HACOLA Activities

[901] HACOLA Assistance and Cooperation

HACOLA shall assist and cooperate with the Developer in the rehabilitation of the Site as HACOLA determines in its reasonable discretion.

[1000] Limitations of this Agreement

This Agreement does not constitute a commitment of any kind by HACOLA regarding the sale or transfer of all or any part of the Site. Execution of this Agreement by HACOLA is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving final discretion and approval by the Board of Commissioners as to any DDA and all proceedings and decisions in connection therewith.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first written above.

EAST LOS ANGELES COMMUNITY CORPORATION
a California nonprofit public benefit corporation

BY:_____
Maria Cabildo, Executive Director

HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

BY:_____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:
Raymond G. Fortner, Jr.
County Counsel

BY:_____
Deputy