



Sean Rogan
Executive Director

COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles

2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

August 31, 2010

The Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

ADOPTED

Community Development Commission

1-D

September 7, 2010

SACHI A. HAMAI
EXECUTIVE OFFICER

**APPROVE FINANCIAL DEVELOPMENT AGREEMENT FOR THE COMMUNITY DEVELOPMENT
COMMISSION'S ADMINISTRATIVE OFFICE IN THE CITY OF ALHAMBRA
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

This letter recommends approval of a financial development agreement with the National Development Council's Housing and Economic Development Corporation (a non-profit public finance company) for the Community Development Commission's future administrative office, to be located at 700 West Main Street in the City of Alhambra.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Executive Director to negotiate and execute a financial development agreement with the National Development Council's Housing and Economic Development Corporation (HEDC) for the site acquisition, development, construction, and initial management of the Community Development Commission's administrative office, to be located at 700 West Main Street in the City of Alhambra.
2. Authorize the Executive Director to incorporate up to \$1,000,000 in Commission General Funds as necessary into the Commission's Approved Fiscal Year 2010-2011 budget.
3. Find that approval of this agreement is not subject to the provisions of the California Environmental Quality Act (CEQA) because the action will not have the potential for causing a significant effect on the environment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Community Development Commission and Housing Authority currently operate out of three administrative offices: 2 Coral Circle in the City of Monterey Park, 12131 Telegraph Road in the City of Santa Fe Springs, and 4800 East Cesar Chavez Avenue in unincorporated East Los Angeles. These sites are separated by up to 30 minutes of driving time.

The leases for the Commission office in Monterey Park and the Housing Authority office in Santa Fe Springs were negotiated to terminate on the same date in June of 2012. The scheduling for coterminous leases at these locations was executed in anticipation of the eventual consolidation of all Commission and Housing Authority operations at a single location.

The proposed property in Alhambra will allow the Commission to construct a building that will accommodate the staff from all three current locations. The proposed financial development agreement with HEDC will allow for the financing of site acquisition, development, construction and initial management of a new administrative office. The building is being designed to house all Administrative staff and public services for the Commission and Housing Authority beginning in June 2012.

This new location will eliminate inefficiencies of day trips between the three existing sites. It will also result in an estimated annual operating savings of approximately \$900,000. Additionally, all Commission and Housing Authority services will now be directly accessible via public transportation. Public access to services will be enhanced by this more centralized location. On the whole, current staffing commute will not be adversely impacted by this location.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund.

The project will be financed using either tax-exempt bonds or taxable Build America Bonds issued by HEDC, which is authorized to issue these bonds on behalf of the Commission and Housing Authority as a non-profit "63-20" corporation. Build America Bonds were created as part of the American Reinvestment and Recovery Act of 2009, and provide cost savings to bond issuers because the federal government subsidizes 35% of the interest payments. New Build America Bonds must be issued by December 31, 2010. If unable to meet this deadline, HEDC will utilize traditional tax-exempt bonds. Any delays will have an adverse effect on the lease rate for the Commission; however, the overall savings anticipated through this lease will more than cover any increased costs due to any changes in bond issuances.

The project will be owned by HEDC and leased to the Community Development Commission for up to 30 years, or until the bonds are repaid, whichever is first, at which point ownership of the building will transfer to the Commission.

Because of HEDC's "63-20" non-profit status, the Commission will realize significant cost savings from the favorable tax treatment of the bond payments, as well as the absence of property tax assessments and the developer fees normally associated with a private developer.

The Commission may expend up to \$1,000,000 on acquisition, predevelopment and soft costs related to the project prior to the issuance of the bonds, which should take place on or before February 28, 2011. The bond proceeds will reimburse the general fund for these preliminary expenses. In addition, HEDC will procure for a construction developer who will expend up to

\$500,000 for various upfront costs in accordance with the Commission's agreement to reimburse the construction developer for these costs. The Commission will benefit from this agreement to reimburse because the construction developer chosen will not participate in the rental rate of the lease, in exchange for not having their funds at risk. The estimated savings for this agreement to reimburse is \$25,000 per month for the term of the lease.

The annual rent is estimated at \$2,213,294, and will be paid using program funds to be included in the Commission's and Housing Authority's annual budgets.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Commission conducted an open procurement for all local real estate and development companies and contacted the finance community at a national level. An RFP for a Public Finance Developer was opened on July 29, 2010; 27 RFP packages were downloaded, but only one proposal was received by closing on August 13, 2010.

HEDC was chosen for its credentials specific to the "63-20" financing structure and its exceptional level of experience in funding "63-20" projects.

The site is expected to be in escrow by HEDC on or before August 27, 2010. Your Board's authorization is necessary in order to continue with this process. The Financial development agreement will be executed on or about September 1, 2010. The Commission will return to your Board at a later date to approve the lease.

Construction is anticipated to start in March 2011 and be completed in May 2012. Commission staff is anticipated to be relocated and fully operational in the new facility in June 2012.

ENVIRONMENTAL DOCUMENTATION

This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

CEQA review and approval for the construction project will be conducted by the City of Alhambra in conjunction with the entitlement process and completed prior to the start of construction. The Commission will return to the Board for review and adoption of the City of Alhambra's CEQA findings at a later date, together with approval of the lease.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed actions will provide permanent administrative office space for the Commission and Housing Authority and result in substantial rental savings.

The Honorable Board of Supervisors

8/31/2010

Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line extending to the right.

SEAN ROGAN

Executive Director

SR:nt