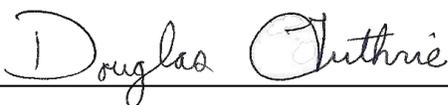


## REPORT OF THE PRESIDENT AND CEO

AUGUST 26, 2021

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO ENTER INTO A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT WITH ROSE HILL COURTS II HOUSING PARTNERS, L.P. FOR ROSE HILL COURTS – PHASE II, A 96 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT, TO REVISE THE LAND ACREAGE FOR THE PROPERTY TO PROVIDE FLEXIBILITY FOR THE LONG TERM USE AND MAINTENANCE OF A CENTRAL OPEN SPACE PARCEL, AND TO EXECUTE ANY AND ALL DOCUMENTS AND AGREEMENTS RELATED THERETO INCLUDING A CONSTRUCTION ACCESS AGREEMENT AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH



Douglas Guthrie  
President and CEO



Geoffrey Moen  
Director of Development Services

**Purpose:** To authorize the President and CEO to enter into a First Amendment to the Disposition and Development Agreement ("1<sup>st</sup> Amendment") for Rose Hill Courts – Phase II with Rose Hill Courts II Housing Partners, L.P. (the "Developer" or "Owner"). The Rose Hill Courts Redevelopment is proceeding in two phases, including "Phase I" which consists of eighty-nine (89) units and "Phase II" (the "Project") which will consist of ninety-six (96) units. The 1<sup>st</sup> Amendment will exclude the central open space ("Central Open Space") parcel from the Phase II ground lease area in favor of amending the Phase I land area and adding the open space to that Ownership phase once improvements are complete.

The 1<sup>st</sup> Amendment will impose obligations upon the Developer to construct the Central Open Space improvements and the Housing Authority of the City of Los Angeles ("HACLA") shall enter into a construction access agreement with the Developer at closing for completion of the improvements.

**Regarding:** On November 20, 2014, by Resolution 9171, the Board of Commissioners ("BOC") authorized the President and CEO to award an Exclusive Right to Negotiate a Memorandum of Understanding ("MOU") between HACLA and Related CA, for a period of ninety (90) days in accordance with the Request for Qualifications for the Rose Hill Courts Redevelopment to define the terms and conditions under which Related would perform the scope of work.

On November 26, 2019, by Resolution 9543, the BOC certified the Environmental Impact Report ("EIR") prepared in full compliance with the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines for the teardown of the existing 100-unit Rose Hill Courts public housing site and its redevelopment into 185 units with supporting amenities. Further, the BOC adopted the Mitigation Monitoring and Reporting Program (MMRP) and approved the Project.

On January 23, 2020, by Resolution 9568, the BOC authorized the President & CEO to

enter into a Disposition and Development Agreement (“DDA”), a long term Ground Lease and Predevelopment Loan documents with Related CA-controlled entities Rose Hill Courts I Housing Partners, L.P. and Rose Hill Courts II Housing Partners, L.P. (collectively the “Developers” or “Owners”) for the development of an 89 unit affordable housing residential development in Phase I of the Rose Hill Courts Redevelopment and a 96 unit affordable housing residential development in Phase II of the Rose Hill Courts Redevelopment, respectively.

## **ISSUES:**

### *Background*

The Project is expected to be constructed on approximately 3.45-acres of land located at the western and southern portion of the 5.24-acre Rose Hill Courts public housing site owned by HACLA, representing the second phase of a two-phase redevelopment. As the second phase, the Project will require the demolition of 8 existing structures and construction of a total of 96 residential housing units (95 affordable housing units plus one market-rate manager’s unit). At build-out, the Project will include 37 one-bedroom units, 33 two-bedroom units, 22 three-bedroom units, and 4 four-bedroom units, a 6,300 square-foot Management Office/Community Building and a Central Open space, creating a park-like setting for residents. Ample open space and recreational amenities will be incorporated to promote continued community outdoor use such as outdoor communal space with shaded seating and BBQ grills, children’s play areas, tot lots, paved surfaces, and several courtyards. The Project will provide a total of 119 parking spaces onsite, with at-grade and tuck-under parking; upgraded lighting, fencing, signage, and security features; and storm drain and utility improvements. At full build-out, the common areas and recreational amenities improved in Phase I and Phase II will be seamless and available for the enjoyment of the residents of both phases.

### *Amendment to the DDA*

The Phase I land boundaries were planned to minimize demolition of existing buildings and prevent unnecessary displacement of families during the Phase I construction. Therefore, the southern boundary of Phase I was the southernmost part of the existing Victorine Street. Using the southernmost part of Victorine Street for this purpose has created some unwieldy boundaries to the Central Open Space that straddles both phases. While portions of the Central Open Space will be built-out as part of Phase I, its southern boundary cuts through the Central Open Space such that it does not line up with physical items like walls or stairs that are not entirely within one of the two phases. The proposed amendment will make the phase line align more cleanly with the physical build out of site elements such as walls, stairs, and open space. The proposed amendment would lead to a slightly different, but cleaner and more intuitive, line between the phases. The reduction in Phase II’s acreage will also help the Project to meet density threshold requirements associated with many funding applications. While the Central Open Space will be excluded from the Phase II ground leased area, under the terms of the Amended DDA, the Developer of Phase II will be obligated to construct the Central Open Space improvements. Under a construction access agreement that HACLA will enter into with the Developer at Closing, the Developer and its Contractor(s) will be provided with a

temporary license for entering onto the Central Open Space Site and for ingress and egress over such property as may be reasonably necessary for completing the Central Open Space Improvements. Both Phases will enter into a Common Area Maintenance agreement for an equitable sharing of the costs of operation and maintenance since residents of both phases will have equal access to the common area amenities.

Subject to amendment to the HUD Section 18 Disposition approval and the Phase I RAD Use Agreement along with the approval by the Lenders, Investor, and California’s Housing and Community Development Department (“HCD”), the Central Open Space will be incorporated into Phase I via amendment of the Phase I ground lease after the Central Open Space Site is fully constructed or at any other timeframe agreed to by HACLA and the Phase I partnership.

Per discussion with the entitlement consultant, Developer has informed HACLA that the adjustment of the ground lease perimeter will not have any impact to the entitlement approvals such as zoning and setbacks. The City looks at the physical build out of the site as a whole and is not concerned with the underlying ownership.

In the event the Central Open Space is added to Phase I ground lease, the Developer has confirmed that this change will not impact the competitive scoring points earned by Phase I for the State of CA Infrastructure Infill Grant or the Affordable Housing and Sustainable Communities (“AHSC”) Green House Gas applications.

The Developer will be making an application in September 2021 to HCD’s July 2021 Round 4 Multifamily Housing Program (“MHP”) Notice of Funding Availability (“NOFA”) for up to \$20.0 Million in grant funding. Prior to making the application, the footprint and scope of the Project must be accurate requiring the Central Open Space to be excluded from the Phase II ground leased area under an amendment to the DDA.

The actions recommended in this report provide for these necessary modifications and create an appropriate approach to secure necessary funding to complete the Phase II Project. Otherwise, the actions taken under Resolution 9568 are still valid and provide all authority necessary to move the Project forward under administrative review and approval of the President and CEO or his designee.

**Vision Plan:** **PLACE Strategy #1: Stabilize the physical and financial viability of the conventional public housing portfolio.**

The Project will allow for the construction of 96 new housing units, all of which will be deeply affordable units. This development will further HACLA’s goals of improving its affordable housing stock as well as improved ADA-compliant, modern, sustainably designed, and amenitized units. This action will help HACLA extend the life of critical, deeply affordable housing in the City of Los Angeles to serve income-qualified households within the city.

**Funding:** No Funding is required for this action.

**Environmental  
Review:**

*CEQA* No further environmental review is required for the Authority's recommended actions because based on the project record there has been no change to the Rose Hill Courts Redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164. Based on this, the Authority will file a Notice of Determination after the Board of Commissioners has acted on this item.

*NEPA:* Pursuant to 24 CFR Part 58, the City of Los Angeles, through its Housing and Community Investment Department, serves as the environmentally responsible entity in preparation of the Final Environmental Impact Statement for the Rose Hill Courts Redevelopment. HCIDLA issued a Record of Decision on January 24, 2020 and submitted a Request for Release of Funds to the U.S. Department of Housing and Urban Development (“HUD”) on February 8, 2020. On March 9, 2020, HUD's Los Angeles Office of Public Housing issued approval of the City of Los Angeles' Environmental Certification.

**SECTION 3:** The Developer will comply with and impose Section 3 hiring requirements and numerical goals consistent with the former Phase I Section 3 Construction Local Hiring and Contracting Plan negotiated pursuant to the Disposition and Development Agreement and in accordance with HACLA's Section 3 Guide and Compliance Plan (v2). These obligations include setting aside at least thirty percent (30%) of all new predevelopment, construction and post-construction jobs generated by the redevelopment first for current residents of Rose Hill Courts, second to qualified Section 3 residents of the North East Los Angeles neighborhood, third to participants in HUD's Youthbuild programs in the City of Los Angeles, and fourth to residents of the City of Los Angeles who meet Section 3 eligibility requirements. Furthermore, the Developers will strive to provide at least ten percent (10%) of all construction work hours to Section 3 Residents according to the hiring priorities set forth above. A Construction and Post-Construction Section 3 Local Hiring and Contracting Plan will be submitted to HACLA prior to commencement of activities for review and approval. The Hiring Plan will discuss strategies and investments that will assist in enabling their contractors and consultants to hire and train Section 3 residents during the construction and post-construction stages to achieve the minimum numerical goals for hiring, work hours and subcontracting.

**Attachments:**

1. Resolution
2. Site Plan depicting the Phase II footprint and Central Open Space
3. Draft First Amendment to Disposition and Development Agreement for Rose Hill Courts – Phase II

# **ATTACHMENT 1**

## **Resolution**

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO ENTER INTO A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT WITH ROSE HILL COURTS II HOUSING PARTNERS, L.P. FOR ROSE HILL COURTS – PHASE II, A 96 UNIT AFFORDABLE HOUSING RESIDENTIAL DEVELOPMENT, TO REVISE THE LAND ACREAGE FOR THE PROPERTY TO PROVIDE FLEXIBILITY FOR THE LONG TERM USE AND MAINTENANCE OF A CENTRAL OPEN SPACE PARCEL, AND TO EXECUTE ANY AND ALL DOCUMENTS AND AGREEMENTS RELATED THERETO INCLUDING A CONSTRUCTION ACCESS AGREEMENT AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Housing Authority of the City of Los Angeles ("HACLA") intends to transform the Rose Hill Courts public housing community into a mixed-income, environmentally friendly, vibrant urban village, conducive to healthy living and economically progressive conditions (the "Rose Hill Courts Redevelopment");

**WHEREAS**, on January 23, 2020, HACLA's President and CEO executed a Disposition and Development Agreement ("DDA") with Rose Hill Courts II Housing Partners, L.P., (the "Developer") for the redevelopment of Phase II of Rose Hill Courts (the "Project");

**WHEREAS**, the Rose Hill Courts Redevelopment is comprised of two phases with Phase I containing 89 units in two four-story elevator buildings, that will provide the maximum level of accessibility for the existing tenant population, and with Phase II (the "Project") containing 96 units developed as three and two story buildings;

**WHEREAS**, Phase I achieved financing closing in June 2021 and its construction is underway;

**WHEREAS**, the Developer is making progress on predevelopment activities on the Project, has completed the 100% Design Development drawings, and is finalizing the Financing Plan;

**WHEREAS**, the Project expects to utilize the Tax Exempt Bond financing and 4% Low income Housing Tax Credits ("LIHTC");

**WHEREAS**, under the DDA, the Project includes a "Central Open Space" intended to create a park-like space for the use of residents of Phase I and Phase II;

**WHEREAS**, in response to the State of California's Housing and Community Development Department's ("HCD") July 2021 Round 4 Multifamily Housing Program ("MHP") Notice of Funding Availability ("NOFA"), the Developer will be making an application in September 2021 for the Project for up to \$20.0 Million in grant funding;

**WHEREAS**, prior to applying for MHP funding the final size and scope of the Project must be accurate requiring the Central Open Space to be excluded from the Phase II ground leased area under an amendment to the DDA;

**WHEREAS**, under the terms of the amended DDA, the Developer will be obligated to construct certain improvements to the Central Open Space (“Central Open Space Improvements”) under a construction access agreement that HACLA will enter into with the Developer at Closing;

**WHEREAS**, subject to amendment to the HUD Section 18 Disposition approval and the Phase I RAD Use Agreement and approval by the Lenders, Investor, and HCD, the Central Open Space will be incorporated into Phase I via amendment of the Phase I ground lease; and

**WHEREAS**, under the California Public Resources Code, Section 21166 and the California Environmental Quality Act (CEQA) including but not limited to sections 15162, 15163 and 15164, on the basis of substantial evidence contained in the whole record, that since the adoption of the Environmental Impact Report by the Authority on November 26, 2019, for the Rose Hill Courts Redevelopment Project (the "RHC Project") including the Phase I and Phase II redevelopment activities currently being proposed, there have been no changes to the RHC Project, changes with respect to the circumstances under which the RHC Project is being undertaken, or new information of substantial importance concerning the RHC Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified effects in the Environmental Impact Report.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Commissioners of the Housing Authority of the City of Los Angeles (“BOC”) does hereby authorize and approve the President and CEO, or designee, as follows:

To enter into a First Amendment to the DDA with the Developer and any other documents, agreements and certificates necessary to undertake various actions contemplated by this Resolution including a construction access agreement, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof; and

**BE IT FURTHER RESOLVED** that the BOC directs staff to prepare and file a Notice of Determination with the Los Angeles County Clerk within five (5) working days of the approval of these actions.

**BE IT FURTHER RESOLVED** that this Resolution shall take effect immediately.

APPROVED AS TO FORM:  
CITY OF LOS ANGELES

HOUSING AUTHORITY OF THE  
CITY OF LOS ANGELES

BY: \_\_\_\_\_  
General Counsel James Johnson

BY: \_\_\_\_\_  
Chairperson Cielo Castro

DATE ADOPTED: \_\_\_\_\_

## **ATTACHMENT 2**

**Site Plan depicting the Phase II footprint and  
Central Open Space**

# Rose Hill Courts Phase II



SITE PLAN

**ATTACHMENT 3**

**Draft First Amendment to the DDA for  
Rose Hill Courts Phase II**

**FIRST AMENDMENT TO  
DISPOSITION AND DEVELOPMENT AGREEMENT  
FOR ROSE HILL COURTS PHASE II**

This First Amendment to Disposition and Development Agreement for Rose Hill Courts Phase II (this “**Amendment**”), is made and entered into as of August \_\_\_\_, 2021, by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (the “**Authority**”) and ROSE HILL COURTS II HOUSING PARTNERS, L.P., a California limited partnership (the “**Developer**” and together with the Authority, the “**Parties**”).

**RECITALS**

A. The Parties entered into that certain Disposition and Development Agreement for Rose Hill Courts Phase II, dated March 19, 2020 (the “**Agreement**”) regarding the proposed acquisition and development of a portion of the real property located at 4466 E. Florizel Street, Los Angeles, California known as Rose Hill Courts (“**Rose Hill Courts**”).

B. The Parties intend to develop Rose Hill Courts in two (2) phases, including “**Phase I**” which will include eighty-nine (89) units and “**Phase II**” which will include ninety-six (96) units, as described in further detail in the Agreement and this Amendment.

C. The Parties desire by this Amendment to amend the Agreement to revise the legal description for the Phase II Site, provide for the development of Central Open Space Improvements to benefit Phase I and Phase II and otherwise modify the Agreement as set forth in this Amendment.

**AGREEMENT**

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, the Authority and the Developer agree as follows:

1. Original Agreement. Except as amended hereby, the Agreement remains unmodified and in full force and effect.
2. Capitalized Terms. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Agreement.
3. Additional Definitions. The following definitions are herein inserted in Section 1.1 of the Agreement:

(ppp) “**Central Open Space Improvements**” means the development and equipping of the Central Open Space Site with landscaping, open grassy areas, tot lots, hardscaping, BBQ grills, picnic tables and related amenities for residential tenants

of Phase I and Phase II, as more particularly described in the Phase II Development Plan attached to the Agreement as Exhibit B.

(qqq) “**Central Open Space Site**” means the approximately \_\_\_\_ acre section of Rose Hill Courts between Phase I and Phase II, more particularly described in Exhibit 4 attached to this Amendment, and on which the Developer will construct the Central Open Space Improvements.

4. Amended Definitions. The following definitions in Section 1.1 of the Agreement are hereby amended and replaced as follows:

(y) “**Development**” means the activities required to carry out (i) the New Construction Option for the Phase II Site and (ii) the Central Open Space Improvements for the Central Open Space Site in accordance with the Phase II Development Plan and Financing Plan.

(xx) “**Phase II Site**” means the section of Rose Hill Courts identified as the area for the development of Phase II, more particularly described at Exhibit 3 attached to this Amendment.

Reference to “Phase II Site” are hereby replaced by “Phase II Site and Central Open Space Site” in the following sections of the Agreement: Recital P, Section 1.1(s), Section 1.1(u), the last provision of Section 2.2, Section 3.1(a)(1), Section 3.3(a)(2), Section 3.3(a)(3), Section 4.2(b), Section 6.8(f), Section 6.10, Section 6.12(c), Section 6.14, Section 6.15, Section 8.1, Section 9.1, and Section 11.3(e).

5. Exhibits. The following Exhibits attached hereto are hereby incorporated in the Agreement:

(a) Exhibit A-1 to the Agreement is hereby deleted and replaced by Exhibit 1 attached hereto.

(b) The Site Plan incorporated in Exhibit A-2 to the Agreement is hereby deleted and replaced by Exhibit 2 attached hereto.

(c) Exhibit A-3 to the Agreement is hereby deleted and replaced by Exhibit 3 attached hereto.

(d) A new Exhibit A-4, Central Open Space Site, is hereby inserted in the Agreement in form attached hereto as Exhibit 4.

6. Central Open Space Improvements. Section 2.9 of the Agreement is hereby deleted in its entirety and replaced as follows:

Section 2.9 Central Open Space Improvements.

(a) Following Developer's acquisition of a leasehold interest in the Phase II Site, Developer shall construct the Central Open Space Improvements on the Central Open Space Site substantially in accordance with the Phase II Development Plan, the Construction Documents approved by the Authority prior to Closing and the construction access agreement described in Section 3.6. The development costs of the Central Open Space Improvements shall be included in the Development Budget.

(b) The Developer shall include the operating and maintenance costs of the Central Open Space Improvements (the "**Central Open Space Costs**") as an operating expense in the annual operating budget for the Development which requirement will be incorporated in the applicable Closing Documents; provided, the Central Open Space Costs may be shared by the Developer and Rose Hill Courts I Housing Partners, L.P. (the "**Phase I Partnership**") to the extent agreed by the Developer and the Phase I Partnership. At Closing, the Developer, the Authority and, if applicable, the Phase I Partnership shall enter into a shared use and maintenance agreement with respect to the Central Open Space which provides, without limitation, for the shared use of the Central Open Space and the allocation of the Central Open Space Costs between the Developer and the Phase I Partnership. The Authority shall have no responsibility for the development costs of the Central Open Space Improvements or the Central Open Space Costs.

(c) The Parties intend to incorporate the Central Open Space Site under the Phase I ground lease at Closing. In furtherance thereof, (i) the Developer shall cause the Phase I Partnership, which is controlled by Related, to enter into amended Phase I ground lease and closing documents to incorporate the Central Open Space Site and (ii) the Authority shall require, as a prerequisite to the execution of any such amended ground lease, that the Phase I Partnership grant the Developer and its residential tenants an easement or other right to use and access the Shared Open Space Site.

7. Construction Access to Central Open Space Site. A new Section 3.6 is hereby inserted in the Agreement as follows:

Section 3.6 Construction Access to Central Open Space Site. Pursuant to a separate construction access agreement to be entered into by the Parties at Closing, the Authority will provide the Developer and its Contractor(s) a temporary license for completing the Central Open Space Improvements, entering onto the Central Open Space Site, and for ingress and egress over such property as may be reasonably necessary for completing the Central Open Space Improvements. The foregoing shall be a temporary license to perform the Central Open Space Improvements contemplated in this Agreement and shall incorporate pertinent provisions of this Agreement including, but not limited to, provisions related to environmental requirements, Hazardous Materials, indemnification, construction and insurance, each in the same manner and to the same extent applicable to the Phase II Site. The Developer agrees that it shall keep the Central Open Space Site free from any liens, stop notice and/or any encumbrances arising out of its construction of the Central Open Space Improvements, materials

furnished or obligations incurred in connection with its access to the Central Open Space Site or completion of the Central Open Space Improvements. In the event the Central Open Space Site is incorporated in the Phase I ground lease as set forth in Section 2.9(c), the Developer shall cause the Phase I Partnership to join in the execution of the aforementioned construction access agreement.

8. Applicable Law. This Amendment shall be construed and enforced in accordance with the laws of the State of California.

9. Counterparts. This Amendment may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

10. Severability of Provisions. Each provision of this Amendment shall be considered severable, and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Amendment is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Amendment which are valid.

11. Amendment Binding. This Amendment shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives and permitted successors and assigns of the parties hereto. Except as amended hereby, the Agreement remains unchanged and in full force and effect and the parties hereto hereby ratify and reaffirm the terms of the Agreement as amended hereby.

[signature page(s) to follow]

**IN WITNESS WHEREOF**, the Parties have duly executed this Agreement by their duly authorized signatories effective on or as of the date written at the commencement of this Agreement.

**DEVELOPER:**

**ROSE HILL COURTS II HOUSING PARTNERS, L.P.**,  
a California limited partnership

By: Related/Rose Hill Courts II Development Co., LLC,  
a California limited liability company  
its administrative general partner

By: \_\_\_\_\_  
Frank Cardone  
President

[signatures continue on the following page]

**AUTHORITY:**

**HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,**  
a public body, corporate and politic

By: \_\_\_\_\_  
Douglas Guthrie  
President and Chief Executive Officer

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Becky Churchill Clark, Esq.  
Authority Senior Staff Attorney

**APPROVED AS TO FORM AND LEGALITY:**

**RENO & CAVANAUGH, PLLC,**  
Authority Special Counsel

By: \_\_\_\_\_  
Megan Glasheen, Esq.

**EXHIBIT 1**

**Rose Hill Courts Legal Description**

DRAFT

**EXHIBIT 2**

**Site Plan**

DRAFT

**EXHIBIT 3**

**Phase II Site Legal Description**

DRAFT

**EXHIBIT 4**

**Central Open Space Site Legal Description**

DRAFT