RESOLUTION APPROVING THE AMENDED ACQUISITION AND DISPOSITION OF REAL PROPERTY POLICY FOR THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

Purpose: Approval of the amended Housing Authority of the City of Los Angeles (“HACLA”) Acquisition and Disposition of Real Property Policy (“Policy”) clarifying that HACLA may purchase property for no more than appraised value unless the Board makes a finding that doing so would serve a legitimate public purpose.

Regarding: Resolution No. 9587, adopted on April 23, 2020, established HACLA’s restated Acquisition and Disposition of Real Property Policy. Staff have proceeded to acquire property under this policy, particularly given the urgent housing needs and the funding opportunities of the Covid-19 pandemic.

In discussions with HACLA partners, it has become clear that there will be circumstances in which paying more than appraised value for a property serves a legitimate public purpose. Thus, staff want to make it clear in our policy that HACLA, upon the appropriate findings, may do so if approved by the Board. Similarly, there may be circumstances in which HACLA is able to negotiate a purchase price for less than the appraised value of a property. Staff also proposes to clarify the policy to clearly allow such a purchase.

Issues: As an organization whose primary function since inception is the development and preservation of affordable housing in the City of Los Angeles, it is critical that the Authority have a functional and up-to-date Acquisition and Disposition of Real Property Policy. The proposed revisions clarify that the Board may purchase property for less than appraised value or for more than appraised value if it finds that to serve a legitimate public purpose.

Vision Plan: Place Strategy 2.3. Increase Functionality and effectiveness of Asset Management Portfolio.

This strategy focuses on the strategic directive of the Housing Authority of the City of Los Angeles (HACLA) Board of Commissioners (the “Board”) in acquiring real property to (i) diversify the housing portfolio by acquiring properties on the open market or from other governmental entities, thereby increasing the supply of affordable housing within the City of Los Angeles, (ii) diversify funding/revenue sources for HACLA and (iii) provide a methodology for the disposition, transfer, or sale of HACLA-owned real property.
Vision Plan: Place Strategy 3. Improve and expand Section 8 program, policies, and efficiencies.

This strategy involves the acquisition of property for the purpose of providing readily available housing units for Section 8 Housing Choice Voucher participants.

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

This strategy focuses on expanding the footprint of a public housing redevelopment site in order to meet Build First goals or to increase the total number of affordable units at the site. Either action helps achieve HACLA’s strategy of stabilizing the physical and financial viability of the conventional public housing portfolio.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: No funding is required for this action.

Environmental Review: HACLA shall adhere to all required environmental reviews including but not limited to the National Environmental Protection Act (NEPA), the California Environmental Quality Act (CEQA), and a Phase 1 Environmental Site Assessment as appropriate.

Section 3: Any contracts entered into by HACLA to implement third party contractors in the service of acquisition, disposition, or property management will be drafted to ask contractors to make best efforts to meet HACLA’s Section 3 Policy.

Attachments:
1. Resolution
2. Proposed amended Acquisition and Disposition of Real Property Policy (redlined version)
3. Proposed amended Acquisition and Disposition of Real Property Policy (clean version)
ATTACHMENT 1

RESOLUTION
RESOLUTION NO.______________

RESOLUTION APPROVING THE AMENDED ACQUISITION AND DISPOSITION OF REAL PROPERTY POLICY FOR THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

WHEREAS, the Housing Authority is authorized to acquire and dispose of real property and enter into contracts and agreements related thereto pursuant to the California Health and Safety Code Section 34200 et seq. and particularly with respect to Section 34315;

WHEREAS, the Housing Authority Board of Commissioners (“Board”) adopted a restated Acquisition and Disposition of Real Property Policy by Resolution No. 9587 on April 23, 2020;

WHEREAS, subsequent events, including the emergence of significant unanticipated funding sources, and input from key HACLA partners, including the City of Los Angeles, have demonstrated that there will be circumstances in which paying more than appraised value may serve a legitimate public purpose;

WHEREAS, there may be circumstances in which HACLA is able to negotiate a purchase price for less than the appraised value of a property; and

WHEREAS, an amendment to the aforementioned policy is required to clearly allow HACLA, upon the appropriate findings by the Board of Commissioners, to pay more than the appraised value for a property.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby approves the amended Acquisition and Disposition of Real Property Policy attached to the Report of the President and CEO of the same date herewith and authorizes the President and CEO, or designee, to take any actions and execute any documents, agreements or contracts as authorized by and consistent with the Policy and as approved by legal counsel.

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

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By:

___________________________
Chairperson Ben Besley

APPROVED AS TO FORM:
JAMES JOHNSON

BY: ________________________
General Counsel

DATE ADOPTED:______________________
Housing Authority of the City of Los Angeles
Acquisition and Disposition of Real Property Policy

I. GENERAL PURPOSE

The purpose of this Acquisition\(^1\) and Disposition of Real Property Policy ("Policy") is to implement the strategic directives of the Housing Authority of the City of Los Angeles ("HACLA" or "Authority") to 1.) Diversify HACLA’s housing portfolio by acquiring properties on the open market or from other governmental entities, thereby increasing the supply of affordable housing within the City of Los Angeles, 2.) Diversify funding/revenue sources for HACLA, 3.) Ensure the Authority can satisfy its operational needs and serve residents and clients conveniently and efficiently throughout the jurisdiction of the City of Los Angeles, and 4.) Dispose of assets that no longer function to serve the Authority’s operational purpose in a meaningful way or whose value can be transferred into a higher value property or program need.

This Policy advances and effectuates HACLA’s Vision Plan principles, long term goals, and strategies with regard to Building Responsibly, Organizational Stability, Increasing the Number of Affordable Housing Units in the City of Los Angeles, and Encouraging Innovation that supports organizational flexibility and growth. The objectives of this Policy are summarized below and are responsive to the following Build HOPE Vision Plan strategies:

1.) Vision Plan Place Strategy 1

**Stabilize the physical and financial viability of the conventional public housing portfolio.** The acquisition of property for the purpose of providing temporary or permanent replacement housing for public housing residents or to expand the footprint of a public housing redevelopment site in order to meet Build First goals helps achieve this HACLA’s strategy to stabilize the physical and financial viability of the conventional public housing portfolio.

2.) Vision Plan Place Strategy 2

**Increase functionality and effectiveness of Asset Management portfolio.**

HACLA will focus on stabilizing HACLA’s existing property portfolio outside of public housing, utilizing acquisitions and infill strategies to increase the

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\(^1\) Acquisition is defined as the purchase of fee ownership of land and/or buildings in an arm’s length transaction or the long-term ground leasing of property. This policy addresses the voluntary acquisition of property and does not preclude HACLA from receiving real property through donation, land swap or exchange, quit claim, or by eminent domain.
number of units HACLA offers for affordable housing and diversifying housing options in response to market demands.

3.) Vision Plan Pathways Strategy 3

**Adapt, enhance, and expand HACLA’s capacity to become a competitive asset manager in the Los Angeles Housing market.** HACLA will continue to build upon its internal expertise in managing real estate assets in order to effectively execute its mission.

II. OBJECTIVES OF THE POLICY

1.) Attain greater fiscal sustainability by reducing reliance on federal and other governmental funding.

2.) Preserve and/or increase the supply of affordable housing in the City of Los Angeles.

3.) Acquire and preserve properties with expiring affordability contracts or covenants.

4.) Increase opportunities for Section 8/Housing Choice Voucher Holders to access affordable rental housing.

5.) Demonstrate environmental and resource stewardship through green design and high-efficiency standards wherever possible.

6.) Improve HACLA’s operational functions and facilities management.

7.) Achieve positive family & individual outcomes by ensuring low-income households are living in clean and habitable units with on-site service-enrichment or navigation and access to transit, childcare, and essential amenities.

8.) Increase neighborhood stability by imposing high standards for property and asset management, including investing in building maintenance & regular capital investments as well as active engagement in established condominium or property-based associations and neighborhood groups.

9.) Increase economic diversity through the purchase of property in Areas of Opportunity.
III. ACQUISITION OF PROPERTY

This Policy covers voluntary acquisition of property and allows the Authority to respond to solicitations of sales, whether publicly listed or not, and to make unsolicited Offers to Purchase properties HACLA has identified as meeting its operational needs or the Objectives above. The Authority will not purchase property on a speculative basis or for the sole purpose of income generation. HACLA is required to pay the equivalent of Fair Market Value for a property unless the property is sold at discount due to tax sale, auction or other publicly discounted mechanism. HACLA will utilize proper due diligence, appraisal valuation and underwriting methods to ensure that properties are acquired at a reasonable price and with full disclosure of any liabilities or any reasonably known post-closing expenses. The purchase price shall not exceed the appraised value unless there is a compelling financial or strategic reason why such a transaction serves a legitimate public purpose (e.g., for preservation of existing low and moderate income housing) and such findings are made by the Board of Commissioners, and HACLA may obtain properties via gift or at a price below appraised value, so long as doing so does not constitute an unlawful taking. All individual or portfolio purchases shall be brought to the Board of Commissioners for approval in open session when all terms of the sale have been set. The Brown Act authorizes the Board to hold closed sessions with its negotiator prior to the purchase, sale, exchange, or lease of real property by or for the Authority in order to grant authority to its negotiator on price and terms of payment.
A. PROPERTY SELECTION CRITERIA

Residential Property.
HACLA will work to diversify the geographic locations of its Residential Property, with an emphasis on serving the entire City of Los Angeles. Preference will be given to acquiring market-rate properties in higher opportunity areas, whenever financially feasible. Efforts to preserve existing affordable housing is also critical, and HACLA will look for opportunities to purchase properties with expiring affordability covenants, or those that already house Section 8 tenants. The primary intent of Residential Property acquisition is to purchase existing units for immediate leasing with minor rehabilitation needs, not new construction. In order to effectuate redevelopment efforts of existing public housing sites, HACLA may consider purchasing Residential Property as “replacement housing” or for the expansion of the footprint of a redevelopment area. Although not the primary purpose of the Acquisition Program, if HACLA determines that increased density is allowed, HACLA may choose to purchase one or more adjacent properties improved with low-density housing in order to develop such properties by adding Accessory Dwelling Units or redeveloping the property consistent with underlying zoning. In cases where HACLA is purchasing occupied property for the purpose of demolition and new construction, all occupied units will receive required relocation assistance. If purchasing Residential Property for demolition, HACLA will prioritize Residential Properties in poor condition and with lower densities than the underlying zoning would allow.

Non-Residential Property.
In order to address HACLA’s diverse operational needs and mission, the Authority may acquire commercial or industrially-zoned properties as well as public land. The primary use of the property must be for HACLA operations or for the purpose of converting the property to residential use to fulfill one or more of the Objectives of the Policy found in Section II.

B. OWNERSHIP

HACLA can purchase property in its own name or through any of its affiliates or instrumentalities. Determining the best legal ownership of any property should be based on an assessment of liability and best financial practice. HACLA’s Asset Management Department will oversee the day-to-day operations of all properties unless HACLA contracts the management of such properties is contracted to an experienced third party or the property becomes part of the Housing Services portfolio.

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2 Residential Property is defined as rental property where the investment of the property derives more than eighty percent (80%) of its revenue from dwelling units.
C. EXISTING TENANTS

Unless HACLA is purchasing the property for the purpose of demolition or its own occupation, tenants will be allowed to remain on site after execution of new leases, as needed. If available and appropriate, HACLA may layer project-based vouchers on some or all of the units in a purchased Residential Property. Existing tenants, who are income-qualified, will be given the voluntary option to screen for placement of a voucher on their unit but will not be required to move if they do not qualify or desire to participate.

Any residential or commercial tenant required to move as a result of HACLA’s acquisition of a property, may be eligible for all rights afforded them under the Uniform Relocation Act and State Relocation Law, as amended from time to time. This includes complying with all applicable statutory requirements, including those pertaining to notice of acquisition for public use, relocation assistance, and payments due.

In certain situations, such as when HACLA’s ultimate use of an acquired site will not be immediately implemented, the Authority may enter into post-acquisition temporary leases.

D. FUNDING

HACLA may use a variety of internal or external funding sources to facilitate the acquisition, rehabilitation, or improvement of multifamily rental properties. Funding needs and sources may differ during different phases, including pre-acquisition, acquisition, and post-acquisition and the use of funds for such remains subject to the Board’s policy on delegated authority and availability of funds in the Authority’s adopted Budget. Financing instruments may be utilized if determined to be in the best interest of the Authority and may include a revolving credit facility obtained from a bank, short-term and specific purpose funds established by HACLA, grants and donations received that are eligible for acquisition or capital investment, and debt proceeds generated through the sale of long-term bonds or notes, and will comply with all applicable polices including:

- Debt Management Policy, Resolution No. 9404, Adopted December 19, 2017, as may be amended from time to time;
- Conduit Housing Bond Policy, Resolution No. 9455, Adopted September 27, 2018, as may be amended from time to time; and
- Procurement Policy, Resolution No. 9514, Adopted June 27, 2019, as may be amended from time to time.
IV. PROPERTY DISPOSITION

Within the framework established herein, and subject to all applicable real property disposition laws as may be amended from time to time, the disposition policy establishes a methodology for the disposition of real property owned by HACLA and its instrumentalities. As part of an overall portfolio management plan for real property, the Asset Management Department may review and recommend properties for disposition. Property proceeds will be used to pursue more advantageous opportunities in the interest of HACLA and its residents.

This Policy does not authorize the sale or other disposition of any multifamily federal public housing projects or individual units as defined in the Housing Act of 1937, as amended.

A. DETERMINING DISPOSITION FOR SALE

Dispositions of real property shall occur only after HACLA has determined that a given parcel of real property is not required for HACLA’s foreseeable needs, and shall be made pursuant to one of the following reasons:

1.) Disposition of a non-residential operational or commercial property so as to improve the efficiency of operations;

2.) Disposition of an underperforming residential property so as to obtain a better performing property and/or other affordable housing opportunities that meet the Property Selection Criteria described above in Section III.A. Such dispositions shall consider inclusion of an affordability covenant on the land, a reversion clause, or generate enough revenue from the sale so as to purchase replacement units in greater number than the disposed units;

3.) Disposition so as to fund more significant budgetary priorities;

4.) Disposition of property for affordable ownership where long-term ground leases are the preferred disposition method in order to maintain affordability.

B. PRICE AND TERMS OF SALE

If the Board authorizes the disposition of a property, it shall authorize the President and CEO or his or her designee to enter into negotiations and dispose of the property for a price equal to, greater than, or less than the appraised value based on specific circumstances.
The Board will also authorize the means of disposition, as HACLA may dispose by auction, direct sale, deed transfer, donation or other such method according to current or future regulations and law.

Finally, the Board must authorize specific terms of any sale in order to ensure they meet the organizational mission and day-to-day operations of HACLA. Such terms may or may not include an affordability covenant or reversionary clause to protect future affordability on the property.

C. DETERMINING DISPOSITION FOR LEASE

The Authority may sell or transfer or sub-lease all or a portion of its non-federal property to an instrumentality in order to effectuate HACLA’s objectives and operational needs. The Authority may also sub-lease all or a portion of its non-federal public housing property to an affiliate or instrumentality in order to effectuate HACLA’s objectives and operational needs. Additionally, HACLA may lease its property to partner organizations and other government agencies that are aligned with HACLA’s mission and serving HACLA’s residents, clients and goals. HACLA may lease no more than 49% of any one property to any one interest individual or entity unless it is not affiliated with the Authority or it is conducting business that directly benefits HACLA’s mission or organizational goals. All leases should be drafted as triple net market rate leases unless the organization is being provided the space to meet a public benefit purpose that the Board of Commissioners has approved and/or is primarily intending to service HACLA residents or clients. Approval of discount rates are determined by the Board or their designee depending on the value of the net discount and contract authority.

ADOPTED:
Housing Authority of the City of Los Angeles
Acquisition and Disposition of Real Property Policy

I. GENERAL PURPOSE

The purpose of this Acquisition and Disposition of Real Property Policy (“Policy”) is to implement the strategic directives of the Housing Authority of the City of Los Angeles (“HACLA” or “Authority”) to 1.) Diversify HACLA’s housing portfolio by acquiring properties on the open market or from other governmental entities, thereby increasing the supply of affordable housing within the City of Los Angeles, 2.) Diversify funding/revenue sources for HACLA, 3.) Ensure the Authority can satisfy its operational needs and serve residents and clients conveniently and efficiently throughout the jurisdiction of the City of Los Angeles, and 4.) Dispose of assets that no longer function to serve the Authority’s operational purpose in a meaningful way or whose value can be transferred into a higher value property or program need. This Policy advances and effectuates HACLA’s Vision Plan principles, long term goals, and strategies with regard to Building Responsibly, Organizational Stability, Increasing the Number of Affordable Housing Units in the City of Los Angeles, and Encouraging Innovation that supports organizational flexibility and growth. The objectives of this Policy are summarized below and are responsive to the following Build HOPE Vision Plan strategies:

1.) Vision Plan Place Strategy 1

**Stabilize the physical and financial viability of the conventional public housing portfolio.** The acquisition of property for the purpose of providing temporary or permanent replacement housing for public housing residents or to expand the footprint of a public housing redevelopment site in order to meet Build First goals helps achieve this strategy.

2.) Vision Plan Place Strategy 2

**Increase functionality and effectiveness of Asset Management portfolio.** HACLA will focus on stabilizing HACLA’s existing property portfolio outside of public housing, utilizing acquisitions and infill strategies to increase the number of units HACLA offers for affordable housing and diversifying housing options in response to market demands.

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3.) Vision Plan Pathways Strategy 3

**Adapt, enhance, and expand HACLA’s capacity to become a competitive asset manager in the Los Angeles Housing market.** HACLA will continue to build upon its internal expertise in managing real estate assets in order to effectively execute its mission.

II. **OBJECTIVES OF THE POLICY**

1.) **Attain greater fiscal sustainability by reducing reliance on federal and other governmental funding.**

2.) **Preserve and/or increase the supply of affordable housing in the City of Los Angeles.**

3.) **Acquire and preserve properties with expiring affordability contracts or covenants.**

4.) **Increase opportunities for Section 8/Housing Choice Voucher Holders to access affordable rental housing.**

5.) **Demonstrate environmental and resource stewardship through green design and high-efficiency standards wherever possible.**

6.) **Improve HACLA’s operational functions and facilities management.**

7.) **Achieve positive family & individual outcomes by ensuring low-income households are living in clean and habitable units with on-site service-enrichment or navigation and access to transit, childcare, and essential amenities.**

8.) **Increase neighborhood stability by imposing high standards for property and asset management, including investment in building maintenance & regular capital investments as well as active engagement in established condominium or property-based associations and neighborhood groups.**

9.) **Increase economic diversity through the purchase of property in Areas of Opportunity.**
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A. PROPERTY SELECTION CRITERIA

Residential Property.
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B. OWNERSHIP

HACLA can purchase property in its own name or through any of its affiliates or instrumentalities. Determining the best legal ownership of any property should be based on an assessment of liability and best financial practice. HACLA’s Asset Management Department will oversee the day-to-day operations of all properties unless HACLA contracts the management of such properties to an experienced third party or the property becomes part of the Housing Services portfolio.

C. EXISTING TENANTS

Unless HACLA is purchasing the property for the purpose of demolition or its own occupation, tenants will be allowed to remain on site after execution of new leases as needed. If available and appropriate, HACLA may layer project-based vouchers on some or all of the units in a purchased Residential Property. Existing tenants who are income-qualified will be given the voluntary option to screen for placement of a voucher on their unit but will not be required to move if they do not qualify or desire to participate.

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D. FUNDING

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from a bank, short-term and specific purpose funds established by HACLA, grants and donations received that are eligible for acquisition or capital investment, and debt proceeds generated through the sale of long-term bonds or notes, and will comply with all applicable policies including:

- Debt Management Policy, Resolution No. 9404, Adopted December 19, 2017, as may be amended from time to time;
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1.) Disposition of a non-residential operational or commercial property so as to improve the efficiency of operations;

2.) Disposition of an underperforming Residential Property so as to obtain a better performing property and/or other affordable housing opportunities that meet the Property Selection Criteria described above in Section III.A. Such dispositions shall consider inclusion of an affordability covenant on the land, a reversion clause, or generate enough revenue from the sale so as to purchase replacement units in greater number than the disposed units;

3.) Disposition so as to fund more significant budgetary priorities; or,
4.) Disposition of property for affordable ownership where long-term ground leases are the preferred disposition method in order to maintain affordability.

B. PRICE AND TERMS OF SALE

If the Board authorizes the disposition of a property, it shall authorize the President and CEO or his or her designee to enter into negotiations and dispose of the property for a price equal to, greater than, or less than the appraised value based on specific circumstances.

The Board will also authorize the means of disposition, as HACLA may dispose by auction, direct sale, deed transfer, donation or other such method according to current or future regulations and law.

Finally, the Board must authorize specific terms of any sale in order to ensure they meet the organizational mission and day-to-day operations of HACLA. Such terms may or may not include an affordability covenant or reversionary clause to protect future affordability on the property.

C. DETERMINING DISPOSITION FOR LEASE

The Authority may sell, transfer or sub-lease all or a portion of its non-public housing property to an affiliate or instrumentality in order to effectuate HACLA’s objectives and operational needs. Additionally, HACLA may lease its property to partner organizations and other government agencies that are aligned with HACLA’s mission and serving HACLA’s residents, clients and goals. HACLA may lease no more than 49% of any one property to any one individual or entity unless it is affiliated with the Authority or it is conducting business that directly benefits HACLA’s mission or organizational goals. All leases should be drafted as triple net market rate leases unless the organization is being provided the space to meet a public benefit purpose that the Board of Commissioners has approved and/or is primarily intending to service HACLA residents or clients. Approval of discount rates are determined by the Board or their designee depending on the value of the net discount and contract authority.

ADOPTED: