RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, SUBJECT TO LEGAL COUNSEL APPROVAL, TO NEGOTIATE EQUITABLE REMEDIES IN THE EVENT OF THE HOUSING AUTHORITY’S INABILITY TO TIMELY PERFORM AS RELATED TO THE EXCHANGE OF CERTAIN PROPERTIES WITH THE LOS ANGELES UNIFIED SCHOOL DISTRICT UNDER THE TERMS OF THAT FIRST AMENDMENT TO THE MAY 2005 GROUND LEASE AGREEMENT WITH LAUSD FOR THE MENDEZ CENTER, IN ACCORDANCE WITH CALIFORNIA HEALTH AND SAFETY CODE SECTION 34312.3

Purpose: Authorize the President and CEO, subject to Legal Counsel approval, to negotiate equitable remedies under the terms of that certain First Amendment (the “Amendment”) to the May 25, 2005 Mendez Center Ground Lease Agreement (the "Ground Lease") with the Los Angeles Unified School District (“LAUSD”) if the Housing Authority of the City of Los Angeles (“HACLA” or “Housing Authority”) is unable to exchange certain real property with LAUSD in a timely fashion. The authorization is needed to help ensure the Housing Authority can successfully resyndicate and refinance Pueblo Del Sol Phase I.

Regarding: At the June 25, 2020 Board of Commissioners (“BOC”) Meeting, by Resolution No. 9604, the BOC approved the Amendment, which among other things, authorized the exchange of certain Housing Authority property encumbered under the Ground Lease with LAUSD’s Utah Street Property. The Housing Authority property is primarily comprised of parcels referred to as the Building Encroachments Property and Portions of Lot 6 and 8. The Utah Street property is essential to the resyndication of Pueblo del Sol which is scheduled to close in October of 2020. The BOC authorized the resyndication, refinancing and rehabilitation of Pueblo Del Sol Phase I and II pursuant to Resolution No. 2536, on October 31, 2019.

ISSUES:

Background Following the BOC’s approval of a proposed land swap between HACLA and LAUSD in June of this year as part of the Amendment terms, LAUSD secured a preliminary title report which suggests that the Housing Authority parcels are encumbered by HUD Declarations of Trust (DOTs) which preclude immediate transfer to LAUSD. In response, staff have investigated further including securing the assistance of a land surveyor and title insurance companies. In addition, staff have been unable to locate evidence of HUD’s original Section 18 disposition approval for the Ground Lease although the property was contemplated for commercial development as part of Pueblo del Sol’s (formerly Aliso Village’s) disposition. As of the date of this Board Report, it is not clear whether all of the property is encumbered by the DOTs as title search and mapping issues associated with old and new tract maps continue. The DOTs involved are generally
antiquated stemming from 1954, 1989, 1990 and 2002 and appear related to the former Aliso Village public housing community and/or Hope VI redevelopment of the site as Pueblo del Sol.

Staff have also enlisted the assistance of outside legal counsel to understand what may be required to secure removal of the DOTs and requisite HUD approvals should they in fact actually encumber some or all of the Housing Authority property.

HUD has communicated its willingness to assist the Housing Authority in removing the DOTs but indicated this process could take many months depending upon the process followed. The preferred process appears to be a new HUD disposition approval which would serve to relieve the HACLA properties of the DOTs and evidence HUD disposition approval to the extent required.

The Utah Street Property, currently owned by LAUSD and intended to be conveyed to HACLA under the swap, is required for the resyndication of Pueblo del Sol I. The financial close must occur no later than October 27th, 2020. LAUSD’s transfer of the property to the Housing Authority is needed on or about September 14, 2020 or the resyndication will be jeopardized. Due to these circumstances, the parties are unable to postpone the property exchange leaving HACLA little time to resolve title issues on the property owned by HACLA.

While LAUSD has communicated a willingness to convey the Utah Street Property upon execution of the Amendment, it does require an appropriate remedy in the event the Housing Authority is unable to perform. As of the date of this Board Report, remedies which retain the equity of the exchanges are still being discussed.

Two remedy concepts are under consideration at this time as follows: (1) allowance for HACLA to pay the fair market value for the Utah Street Property to create an equal exchange of property and compensation if HACLA cannot convey its property unencumbered in a timely fashion. The value will be based on the existing appraised value of the Utah Street Property ($1,038,000); or (2) allow the Housing Authority to pay LAUSD a predetermined monthly amount based upon a ground rent formula to extend the time HACLA will need to convey its property if the Housing Authority is unable to convey the parcels in whole or part by the agreed upon date in the Ground Lease Amendment. Ground rents would be based on a percentage of the fair market fee simple value of any parcels that could not be timely conveyed. According to research of public ground leases across the Los Angeles basin and in similar markets, rents fall between the 5 to 8 percent range of fair market value for long-term ground leases that support private real estate development. Therefore, ground rents could range between $4,300 to $7,000 per month or a pro-rated amount dependent upon the Housing Authority property that could not be timely conveyed.

Staff seeks Board authority for the President and CEO, subject to Legal Counsel approval, to negotiate equitable remedies with LAUSD, all in compliance with Health and Safety Code section 34312.3, under which the property exchange is authorized.
Vision Plan:  **PLACE Strategy #2: Increase functionality and effectiveness of Asset Management Portfolio.**

The land exchange will secure fee simple interest of the Utah Street Property thereby providing permanent possession and control of critically needed real estate for the resyndication of the Pueblo del Sol Project and optimizes the long-term use of the management office and community facilities within the Project.

**Funding:**  The Chief Administrative Officer confirms the following:

*Source of Funds:* Remedies that involve monetary consideration will be paid from non-federal funding sources including uncommitted rent subsidy proceeds.

*Budget and Program Impact:* Authority to offer reasonable remedies to LAUSD in order to exercise the exchange of land will allow HACLA to move forward with the resyndication of Pueblo Del Sol I and II and resolve outstanding issues regarding the ground lease conveyance of property to LAUSD with HUD.

**Environmental Review:** Acquisition of properties are exempt from CEQA. Because no federal funds are being used, no NEPA review is required.

**Attachments:**

A. Resolution  
B-1. LAUSD-Owned Utah Street Property  
B-2. HACLA-Owned Property
ATTACHMENT “A”

RESOLUTION
RESOLUTION NO.___________

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, SUBJECT TO LEGAL COUNSEL APPROVAL, TO NEGOTIATE EQUITABLE REMEDIES IN THE EVENT OF THE HOUSING AUTHORITY’S INABILITY TO TIMELY PERFORM AS RELATED TO THE EXCHANGE OF CERTAIN PROPERTIES WITH THE LOS ANGELES UNIFIED SCHOOL DISTRICT UNDER THE TERMS OF THAT FIRST AMENDMENT TO THE MAY 2005 GROUND LEASE AGREEMENT WITH LAUSD FOR THE MENDEZ CENTER, IN ACCORDANCE WITH CALIFORNIA HEALTH AND SAFETY CODE SECTION 34312.3

WHEREAS, the Housing Authority (as “Lessor”) and the Los Angeles Unified School District (LAUSD) (as “Lessee”) entered into that certain Ground Lease dated May 26, 2005 (the “Ground Lease”), which contemplates among other things, LAUSD’s assembly of the Ground Lease property with certain LAUSD-owned property to develop a new high school campus and related improvements now more commonly known as the “Mendez Center”; and

WHEREAS, the Mendez Center is adjacent to Pueblo del Sol I and II (aka “Aliso Village”), an affordable housing community and neighboring Utah Street Elementary School; and

WHEREAS, the Housing Authority and LAUSD are also parties to a July 2002 lease under which LAUSD, as “Lessor,” leased certain property adjacent to Aliso Village and Utah Street Elementary School (the “Utah Street Property”) to the Housing Authority, who subsequently subleased the Utah Street Property to Aliso Village Housing Partners I (current Pueblo Del Sol Phase I owner), which property has since been improved with the project’s management office and community swimming pool; and

WHEREAS, Pueblo del Sol I is in the process of being resyndicated, refinanced and rehabilitated with a financial close date of October 27, 2020, and securing unfettered control of the Utah Street Property through fee simple ownership is essential for the resyndication and long terms operations of Pueblo Del Sol as an affordable housing community; and

WHEREAS, LAUSD’s development of the Mendez Center to date has led to a number of issues which the parties sought to resolve under the terms of an amendment to the Ground Lease; and

WHEREAS, by Resolution No. 9604 adopted at the June 25, 2020 Board of Commissioners (“BOC”) meeting, the BOC approved the terms of an amendment to the Ground Lease (the “Amendment”), which among other things, authorized the exchange of certain Housing Authority property encumbered under the Ground Lease (the “HACOLA Parcels”) with LAUSD’s Utah Street Property, in conformity with the requirements of California Health and Safety Code Section 34312.3; and

WHEREAS, LAUSD’s Board of Education has, on June 9, 2020, adopted a Resolution of Intention to exchange the Utah Street Property for the HACOLA Parcels; and

WHEREAS, subsequent to said approvals, further due diligence activities led to the discovery of property encumbrance and title issues that need to be addressed prior to the Housing Authority’s conveyance of the HACOLA Parcels to LAUSD, all as detailed in the Report of the President & CEO of the same date herewith (the “CEO Report”); and
WHEREAS, while LAUSD has communicated a willingness to convey the Utah Street Property to the Housing Authority upon execution of the Amendment, it does require an appropriate remedy in the event the Housing Authority is unable to timely transfer the HACLA Parcels, which remedy remains under discussions and must retain the equity of the property exchanges; and

WHEREAS, Housing Authority site control of the Utah Street Property is required on or about September 14, 2020, in order to meet the October 17, 2020 Pueblo del Sol I resyndication closing date; and

WHEREAS, the BOC will not meet again until September 24, 2020, thereby precluding timely consideration of the remedies, and the BOC desires to authorize the President and CEO, subject to Legal Counsel approval, to negotiate an equitable remedy for inclusion in the Amendment, that conforms with the requirements of California Health and Safety Code Section 34312.3.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners, having found that the actions contemplated herein are in the best interest of the Housing Authority, hereby authorizes the President and CEO, subject to Legal Counsel approval, to negotiate equitable remedies as related to the Housing Authority's inability to timely convey the HACLA Parcels and/or any portion of them to LAUSD under the terms of the Amendment and in conformity with the requirements of California Health and Safety Code Section 34312.3, to utilize monetary consideration if required in connection with said remedies provided said funds are from non-federal funding sources including uncommitted rent subsidy proceeds, to execute and deliver necessary and reasonable agreements and instruments associated with the real estate exchange and Amendment, and to take such other actions as may be reasonably necessary to effectuate the activities contemplated by this Resolution.

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:

BY: ____________________________
General Counsel James Johnson

DATE ADOPTED: ____________________________
ATTACHMENT “B”

SITE MAPS SHOWING LAND EXCHANGE PARCELS
LAUSD leased to HACLA the Utah Street Property with an area of 0.54 acres.

HACLA in turn subleased this property to Aliso Village Housing Partners I for the construction and operation of the community swimming pool and the Pueblo del Sol property management office.

HACLA seeks to acquire this parcel as part of a property exchange with LAUSD and include this parcel in the new Pueblo Del Sol Phase I ground lease.
Exhibit B-2 - HACLA Owned Properties

- Portions of Via Las Vegas from Mission Road to the west half of Utah Street where Mendez’s Building No. 3 and 4 have encroached
- Portion of Lot 6 and Lot 8 used for the school’s playground area
- A narrow strip of land running along the entire northern boundary length of this parcel