

**SUMMARY REPORT PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN
CITY OF LOS ANGELES
AND
DWC CAMPUS, LP,
A CALIFORNIA LIMITED PARTNERSHIP**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The Summary Report sets forth certain details of the proposed template Disposition and Development Agreement and executed Deal Terms (“**Agreement**”) between the City of Los Angeles (“**City**”) and DWC Campus, LP, a California limited partnership (“**Borrower**”). The Project will be developed by Daylight Community Development (“**Daylight**”), GTM Holdings, Inc. (“**GTM**”) and the Downtown Women’s Center (“**DWC**”), which are also collectively referred to as the “**Developer**”. The Agreement requires the City to convey the following 30,060 square foot parcels (“**City Site**”) to the Borrower:

	Address	APN	Parcel Size (Sf)	Legal Description
City Parcel A	501 E. 5 th Street	5147-007-901	23,090	Attachment A
City Parcel B	N/A	5147-007-007	6,970	Attachment A
Total City Site			30,060	

The proposed development for the City Site is a total of 98 apartment units in one seven-story building, also including 16,939 square feet of community and supportive services office space, and 54 parking spaces in a one-level subterranean parking garage (“**Project**”). Ninety-seven (97) of the units will be set-aside for very-low, low and moderate income households to meet the former redevelopment law requirements as well as the State of California’s Surplus Land Act (“**SLA**”) requirements for exempt surplus land. In addition, the 97 affordable units will be designated permanent supportive housing (“**PSH**”) units targeted to formerly homeless women and victims of domestic abuse.

Currently, DWC, an adjacent property owner, has access to an additional 6,970 square feet of land area by an easement on the City Site through a Grant of Easement (“**Easement**”). In addition, DWC has access to parking spaces on the City Parcel A through a Parking Agreement with the City (“**Parking Agreement**”)

The City Site is currently owned by the Housing Successor of the former Community Redevelopment Agency of the City of Los Angeles (“**CRA/LA**”). City records do not indicate when CRA/LA acquired the City Site or the amount that was paid to acquire the parcels. However, LAHD understands that low and moderate income housing funds were used to purchase the City Site parcels. However, the most recent appraisal for the property indicates that CRA/LA acquired City Parcel A in April 1984 for \$405,500.

In December 2012, the Los Angeles Mayor and City Council authorized the Housing asset Transfer Agreement authorizing the Los Angeles Housing Department (“**LAHD**”) to accept the

housing assets of the former CRA/LA (C.F. No. 12-0049). In June 2013, CRA/LA transferred the parcels to LAHD which has been designated as the Housing Successor for CRA/LA. On April 17, 2019, the City Council authorized LAHD to initiate discussions with DWC to lease or transfer the City Parcel A for development of homeless housing and facilities (C.F. No. 19-0066). On November 19, 2020, LAHD and the Developer entered into an Exclusive Negotiating Agreement (“ENA”).

The City Site is in Council District 14 and the former City Center Project Area. The City Site is currently utilized as a vehicle parking lot and alley and has been so for decades. DWC also has access to 35 parking spaces on the City Site through the Parking Agreement previously referenced.

The purpose of the Agreement is to implement the City’s objective of improving and increasing the supply of affordable housing in the City of Los Angeles. Due to the funding source used to acquire the City Site, the proposed conveyance of the City Site to the Borrower is subject to the reporting requirements imposed by Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the disposition transaction for the City Site.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Borrower and the City by the Agreement.
- II. **Cost of the Agreement to the City:** This section details the costs previously incurred by the City, and the additional costs that must be incurred by the City to implement the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Uses Permitted under the Current Zoning:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Current Zoning.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the City Site based on the required scope of development, and the other conditions and covenants required by the Agreement.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the City, and explains any difference between the compensation to be received and the established value of the City Site.
- VI. **Blight Elimination:** This section explains how the Agreement will assist in alleviating blight.
- VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the most recently adopted AB1290 Implementation Plan.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

Scope of Development

The proposed scope of development can be described as follows:

1. The City Site is currently improved with a 34 space surface parking lot and an alley, and totals approximately 30,060 square feet of land area.
2. The Project will have a total gross building area (“**GBA**”) of approximately 68,869 square feet, or 2.29 FAR. The following breaks out the proposed GBA:

Gross Building Area	
Residential Living Area	29,021
Community Room/Offices	16,939
Circulation/Common Area	22,909
Total Gross Building Area	68,869

3. The units will be provided in a seven-story building over a 54 space subterranean parking garage.
4. The Project will include the following unit mix, or a density of 142 units per acre:

Unit Mix	
Studio Units	97
Two-Bedroom Units	1
Total Units	98

5. The Regulatory Agreement associated with the Agreement will place the following affordability restrictions on the City Site for a 55 year term from certificate of occupancy (“**COO**”), on the Project:

	Income Restriction	Rent Restriction	Studio Units	Total Units
Very-Low Income	Schedule VII	Schedule VII	20	20
Low Income	Schedule VII	Schedule VII	20	20
Moderate Income	Schedule VII	Schedule VII	57	57
Total Units			97	97

6. The Project amenities will include on-site management, on-site social services, a 16,939 square foot community center/services offices, laundry facilities, a second floor courtyard and 74 long-term and eight short-term bike parking spaces.
7. The wrap-around services for the 97 units reserved for homeless and chronically homeless individuals will be provided and funded by a separate contract between the County of Los Angeles’ Department of Health Services (“**DHS**”) and their selected provider. The contract will be for five years with two five year options. The services will

be provided by a Los Angeles County authorized service provider. It is anticipated that DWC will provide services to the Project.

The Project entitlements were approved through the City’s Qualified Permanent Supportive Housing Ordinance (“**QPSH**”) on November 24, 2021. The following affordability restrictions will be placed on the Project per the QPSH:

	Income Restriction	Rent Restriction	Studio Units	Total Units
Extremely-Low Income	Schedule I	Schedule I	5	5
Lower Income (80%)	Schedule I	Schedule I	20	20
Total Units			25	25

Borrower Responsibilities

The Agreement requires the Borrower to accept the following responsibilities:

1. The Borrower will purchase the City Site from LAHD for the appraised fair market value, which is currently estimated at \$6,565,000 (“**Purchase Price**”).
2. Prior to close of escrow for the City Site and City Land Loan, Borrower must do the following:
 - a. The Grant Deed, City Land Loan documents, Regulatory Agreement, Notice of Affordability Restrictions on Transfer of Property, Assignment of Agreements, Plans, Specifications and Entitlements (not recorded), Intercreditor Agreement (if any, not recorded), and Statutory Request for Notice must be executed and recorded.
 - b. Provide to the City in writing that all information provided to the City is true and correct; and the Borrower is in full compliance with the terms of the Agreement.
 - c. Provide the City with a written Opinion of Borrower’s Counsel with respect to
 - i. Legality, validity and binding effect of the Agreement and its enforceability against Borrower in accordance with its terms;
 - ii. The absence of any litigation or other proceedings, either pending or threatened, which could have a material adverse effect on the ability of Borrower to perform pursuant to the Agreement; and
 - iii. Such other standard and customary matters for legal opinions to be given Borrower’s counsel in real estate secured financing transactions as reasonably requested by the City.
 - d. Provide the City with documentation relating to the status of Borrower’s entity structure, and those of any general partners or managing members of Borrower.

- e. Written confirmation from the Title Company that all conditions precedent to the Close of Escrow have been satisfied.
 - f. Determine that no adverse City Site conditions exist that may interfere with the development of the City Site.¹
 - g. Provide the City with evidence of the required Insurance Policies.
 - h. Provide to the City a certification in writing that the Project Budget remains in effect as of such date or provide the City with a proposed revision to the Project Budget, to be approved by the LAHD General Manager or designee.
 - i. Submit to the City a Financing Plan for the Project, which will include:
 - i. A 10-year cash flow projection for operation of the Project;
 - ii. A current Project Budget;
 - iii. A Sources and Uses table, identifying the proposed use of each source of funding for the Project during the construction period;
 - iv. If applicable, evidence that Borrower has sufficient additional funds available and available to cover any financing deficit.
 - j. Shall have received an estimated closing cost statement of costs from the Escrow Agent.
 - k. Shall have executed and delivered to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
3. The Regulatory Agreement will be in effect for 55 years from COO and will restrict 20 Units to Very-Low Income Households per Health and Safety Code (“**H&SC**”) Section 50105; 20 Units to Low Income Households per H&SC Section 50079.5; and 57 Units to Moderate Income Households per H&SC Section 50093. The rents to Very-Low, Low and Moderate Income rents per Health and Safety Code Section 50053.²
 4. The Regulatory Agreement will also require the Borrower to submit for City approval, a Management Plan at least 20 business days prior to completion of construction. This Management Plan will remain in effect for the term of Regulatory Agreement.
 5. During the term of the Regulatory Agreement, the City Site and Improvements must be maintained and secured at all times.
 6. Scope of Development Requirements:

¹ DWC is to release the City Site of the Parking Agreement prior to the sale of the City Site.

² The Site will also be restricted by the TCAC Tax Credit, HCD AHSC and IIG,, LAHD HOME, and City’s PSH Regulatory Agreements. The most restrictive affordability requirements will prevail.

- a. Borrower must construct the Project in conformance with the Agreement's Scope of Development and the approved Final Construction Drawings, and terms and conditions of all City approvals and any other governmental approvals.
 - b. Multifamily Housing Design Guidelines;
 - c. Must follow Environmentally Responsive Design Guidelines of March 19, 2007; and
 - d. Must be consistent with the latest California Energy Commission requirements.
7. Borrower must commence construction of the Improvements within the time set forth in the Schedule of Performance and the Borrower is solely responsible for the construction of the Improvements. In general, it is expected that the Project will obtain approvals for entitlements and funding sources.
8. Borrower must comply with the following City policies:
- a. Relocation requirements;
 - b. Construction signs;
 - c. Publicity;
 - d. Progress Reports;
 - e. Nondiscrimination, Equal Opportunity policies;
 - f. Affirmative Outreach in Contracting;
 - g. Employment of Project Area Residents;
 - h. Community Outreach Plan Policy;
 - i. Prevailing Wages (the Project will incur state prevailing wages);
 - j. City's Living Wage Ordinance and Service Contractor Worker Retention Ordinance;
 - k. City's Equal Benefits Ordinance;
 - l. Contractor Responsibility Ordinance;
 - m. Slavery Disclosure Ordinance;
 - n. First Source Hiring Ordinance;
 - o. Child Support Assignment Orders;
 - p. Fair Chance Initiative for Hiring Ordinance;
 - q. Labor Compliance meeting.

9. Borrower must comply with all Accessibility Requirements of state, local and federal rules, laws and regulations relating to accessibility and reasonable accommodations for persons with disabilities. Borrower must also provide an ADA Certification.
10. The following limitations will be placed on the Project Budget:
 - a. Capitalized Operating Reserves – a minimum of three months of operating expenses and debt service;
 - b. Capitalized Transition Reserves – as required by HCD and/or any other funding source;
 - c. Annual Replacement Reserves – \$300 per unit;
 - d. Developer Fee – consistent with permissible amounts under the funding sources and financing plan for the Project.
11. The Borrower's Financing Plan must include the following funding sources, unless approved by the City. Evidence of awards for all funding sources must be provided prior to Close of Escrow and the Close of Escrow must occur within two years of the date of execution of the Agreement. The proposed financing sources are as follows:
 - a. Construction Financing:
 - i. A construction loan financed through Tax-Exempt Bonds;
 - ii. A Taxable Tail construction loan;
 - iii. Low Income Housing Tax Credit Equity;
 - iv. City Land Loan;
 - v. City Affordable Housing Managed Pipeline Loan;
 - vi. Deferred costs; and
 - vii. Deferred Developer Fee.
 - b. Permanent Financing:
 - i. A permanent loan financed by Apple;
 - ii. Low Income Housing Tax Credit Equity;
 - iii. HCD Affordable Housing and Sustainable Communities Loan;
 - iv. City Land Loan;
 - v. City Affordable Housing Managed Pipeline Loan;
 - vi. HCD Infill Infrastructure Grant;

- vii. Wrap-around services contract from DHS; and
 - viii. Ninety-seven (97) project based vouchers (“**PBV**”) from HACLA.
12. Borrower is required to provide the City with a refundable City Site control fee totaling, \$50,000. It should be noted that the Borrower has already provided this fee to the City.
13. If the Borrower discovers the presence of Hazardous Materials on, under or about the Site prior to the commencement of construction, the Borrower is responsible for the first \$100,000 of remediation costs. If remediation costs exceed \$100,000, then the City and Borrower will negotiate in good faith to identify the means and method to pay the estimated costs. If funding sources cannot be identified, the Agreement may be terminated.
14. Borrower will indemnify the City of the following:
- a. Any and all Claims which directly or indirectly are caused by the following:
 - i. Approval of the Agreement and/or the Improvements;
 - ii. Performance of the Agreement on the part of the Borrower or any contractor/subcontractor of Borrower; and/or
 - iii. The rehabilitation, operation, maintenance or management of the Improvements.
 - b. Any and all Claims from:
 - i. The failure of the Borrower to comply with any Hazardous Materials Laws;
 - ii. The presence in, on or under the City Site of any Hazardous Materials not otherwise present before the Close of Escrow; or
 - iii. Any activity carried on or undertaken on or off the Project, subsequent to the conveyance of the Site to the Borrower, in connections with handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials.
15. Borrower will provide evidence of the following insurance coverage:
- a. Borrower and Borrower’s contractors and subcontractors hired to perform work on the City Site must maintain
 - i. Commercial General Liability Insurance;
 - ii. Workers’ Compensation Insurance including Employer’s Liability in limits not less than \$1 million.
 - iii. Professional liability insurance shall be required of architects and engineers in limits of not less than \$1 million;

- iv. Commercial automobile insurance coverage in minimum limits of not less than \$1 million
 - b. During construction and until a COO has been issued by the City, Borrower will carry Builder's Risk coverage for the Improvements.
 - c. After completion of the construction, Borrower will maintain
 - i. Property insurance on the Improvements;
 - ii. Loss of rental income insurance against the perils of fire, lightning, vandalism, malicious mischief, riot and civil commotion and such other perils ordinarily included in extended coverage policies.
- 16. The following summarizes the closing costs to be paid by the Borrower:
 - a. Escrow fee;
 - b. Recording fees;
 - c. Title insurance policy; and
 - d. Any other costs, expenses or fees of the Escrow are to be paid by party who customarily pays for such costs in Los Angeles County.
- 17. The City Land Loan will only be subordinated to the construction and permanent loans. The Regulatory Agreement will be unsubordinated.
- 18. Only Permitted Transfers can occur until the latest of
 - a. Issuance of a Certificate of Completion by the City to the Borrower;
 - b. The date the City Rent and City debts, if any, related to this Agreement, is repaid in full; and
 - c. The date the Regulatory Agreement expires.

City Responsibilities

The Agreement imposes the following responsibilities on the City:

- 1. City will sell the City Site to the Borrower in "As-Is" condition for the appraised fair market value of the City Site. Until the issuance of the Certificate of Completion, the City's conveyance of fee simple interest shall be subject to a power of termination, to ensure the completion of the Project.
- 2. The City will carryback a City Land Loan with the following terms:
 - a. The loan amount will be equal to the Purchase Price.
 - b. The interest rate will be 3.00% simple interest.

- c. The term of the loan will be 57 years from the date of the City Land Note.
 - d. Annual payments will be in the form of 50% of the Residual Receipts for the previous year, subject to proration with other soft funding sources’.
 - e. The loan will be subordinated to the construction and permanent loans. Requests to subordinate to other funding sources will be subject to LAHD approval, which may not be unreasonably withheld, conditioned, or delayed.
 - f. The loan will be due and payable at the end of the term.
3. Prior to the close of escrow on the conveyance of the City Site, the following must occur:
- a. City must deliver executed City Land Note documents to the Borrower;
 - b. City must not be in Default;
 - c. City has the right to approve or disapprove any submittal by the Borrower;
 - d. Determine that no adverse City Site conditions exist that may interfere with the development of the City Site.
 - e. City has received written confirmation from the Title Company that the Title Company is committed to issue to the City, at close of escrow, at no cost to the City, a Title Insurance Policy.
 - f. City approves the Financing Plan and any revised Project Budget.
 - g. Shall have received an estimated closing cost statement of costs from the Escrow Agent.
 - h. Shall have executed and delivered to Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions.
4. LAHD General Manager or designee must approve changes to the Project Budget.
5. The City must approve or disapprove the final Financing Plan.
6. Other than closing costs to be paid by Borrower, any other costs, expenses, or fees of the Escrow are to be paid by party who customarily pays for such costs in Los Angeles County.
7. LAHD is authorized to approve one or more reasonable 20 day extensions to the Closing Date, up to six months from the Close of Escrow date provided in the Schedule of Performance.
8. City has the right but not obligation to inspect the City Site throughout construction of the Improvements and to the extent permitted by any Inter-Creditor Agreement, to review and provide comments to other lenders regarding the disbursement of construction sources of financing.
9. The City has the right in its sole discretion to accept insurance policies with lower limits than the minimum limits set forth in the Agreement.

- 10. City will provide a Certification of Completion once the Borrower provides a written request and upon Borrower's obtaining a certificate of occupancy from the City. The Certification of Completion will be recorded.
- 11. City will monitor operations at the Project per Health and Safety Code Section 33418(a).
- 12. In the event of a default or breach by the Borrower under the terms of any Security Financing Interest prior to the completion of construction of the Project, the City may cure the default or breach, prior to the completion of any foreclosure.

II. COST OF THE AGREEMENT TO THE CITY

The former CRA/LA and City have already incurred costs associated with assembling the City Site and will incur additional costs to implement the proposed Agreement. These costs are detailed in this section of the analysis:

Previously Incurred Costs	
Land Acquisition Costs	\$405,500
Relocation Costs	0
Demolition / Remediation Costs	0
Maintenance Costs	N/A
Other Costs	N/A
Total Previously Incurred CRA/LA & City Costs	\$405,500

	Nominal \$
Previously Incurred CRA/LA & City Costs	\$405,500
Transaction Costs	0
City Assistance	6,565,000
Total Costs to City	\$6,970,500
(Less) Interest Payments During Construction	0
(Less) City Loan Payments	(17,397,000)
Estimated Net Cost / (Net Revenue) to City	(\$10,426,500)

The total net revenue to the City is estimated to equal approximately \$10,426,500. It is anticipated that the City Land Note will be fully repaid by the end of the loan term. However, given that the debt service on the City Land Note is completely dependent on the cash flow produced by the Project over time, it is too speculative to predict the net present value of the debt service payments that will be made over the term of the City Land Note.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

California Health and Safety Code Section 33433 requires the City to identify the value of the interests being conveyed at the highest use permitted under the zoning in place on the Site. The valuation must be based on the assumption that the property is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the City.

The City Site is zoned and designated in the City's General Plan and in the Redevelopment Plan as Light Manufacturing with a M2-2D (Light Industrial) zoning designation and is also located in

an Opportunity Zone and is in a designated Transit Oriented Community overlay (Tier 3). While no R zone uses are permitted, the City Site has for some time been designated as a potential development site for affordable supportive housing in the Skid Row district. The City Site is currently being used as a surface parking lot and is encumbered with a Parking Agreement that requires 35 parking spaces be provided for the use of DWC's adjacent headquarters.

In an appraisal dated March 22, 2024, The Bronstein Company, Inc. (Appraiser) concluded that the fair market value of the City Site is \$6,565,000, or \$218 per square foot of land area. The appraisal assumes that it is likely that a zoning variance or classification change will be granted to the property to allow for the highest and best use (affordable housing), the Parking Agreement will be released by DWC and that there are no environmental issues with the property. Therefore, the estimated fair market value at the highest use permitted under the zoning in place for the City Site is approximately \$6,565,000.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the City's financial consultant, reviewed underwriting analysis prepared by LAHD staff and calculated the reuse valuation of the City Site based on the financial terms and conditions imposed by the Agreement. The KMA analysis concludes that the fair reuse value of the City Site is \$0. This means that the City Site would need to be conveyed to the Developer at no cost. Therefore, to be able to pay the fair market value for the City Site, the Project will need \$6,565,000 provided in financial assistance to make the scope of development required by the Agreement financially feasible.

It is important to note that the amount of the City assistance package identified in the Agreement is predicated on the assumption that the Project will receive competitively awarded tax-exempt bonds / 4% Tax Credits funds. If these sources are not received by the Project, the fair reuse valuation conclusion will need to be re-evaluated.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement imposes extraordinary controls on the City Site. The impacts created by these requirements reduce the value of the fee simple interest in the City Site from \$6,565,000 at the highest use permitted under the City Site zoning, to the established fair reuse value of \$0. The City will provide a \$6,565,000 residual receipts loan for the purchase price in order for the Project to be feasible.

The Agreement states that Developer will purchase the City Site for the fair market value based on an appraisal to be conducted within twelve months prior to conveyance of the City Site. For purposes of this analysis, the \$6,565,000 fair market value estimated in the March 2024 appraisal will be used. Given that the repayment proceeds received by the City will be greater than the established fair reuse value of \$0, it can be concluded that the City is receiving fair consideration for the interests being conveyed to the Borrower.

VI. BLIGHT ELIMINATION

The Agreement includes placing affordability restrictions on the units for 55 years. In accordance with California Redevelopment Law, as portrayed in the California Health and Safety Code Section 33433, the conveyance of property that results in the provision of housing for low or moderate income persons satisfies the blight elimination criteria imposed by Section 33433.

Thus, the scope of development required by the Agreement fulfills the blight elimination requirement.

VIII. CONFORMANCE WITH THE AB 1290 IMPLEMENTATION PLAN

The goals and objectives identified in the Five Year Implementation Plan for 2008 – 2012 for the former City Center Redevelopment Project Area that will be achieved through the implementation of the Agreement are as follows:

- To create a modern, efficient and balanced urban environment for people, including a full range of around-the-clock activities and uses, such as recreation and housing.
- To provide high and medium density housing close to employment and available to all ethnic and social groups, and to make appropriate share of City's low and moderate income housing available to residents of the area.
- To provide the public services and facilities necessary to the solution of the various social, medical and economic problems of Central City residents, especially the Skid Row population.
- To support and encourage the development of social services with special consideration given to participating in projects involving community-based organizations that serve runaways, the homeless and senior citizens, and provide childcare services and other social services.

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