



CITY OF GLENDALE, CALIFORNIA REPORT TO THE JOINT MEETING: GLENDALE CITY COUNCIL AND GLENDALE HOUSING AUTHORITY

AGENDA ITEM

Report: Approval to Appropriate Affordable Housing Funds in Support of Metro Loma Apartments, an Affordable Housing Project Located at 328 Mira Loma Avenue, Currently in Default and Under Threat of First Mortgage Foreclosure.

1. Housing Authority Motion Authorizing Purchase of First Deed Trust Loan, Held by CCRC;
2. City Council Resolution of Appropriation in the Amount of \$1,373,891; and
3. City Council Motion Authorizing Release of Funds.

COUNCIL ACTION

Item Type: Action Item

Approved for May 20, 2025 **calendar**

EXECUTIVE SUMMARY

Metro Loma Apartments (Metro Loma) is an affordable, rental housing, tax credit project that has been in service since 2009. The Glendale Housing Authority (GHA) owns the land and leases the Property to Metro Loma, LP.

There are four loans on the property. The first mortgage is held by California Community Reinvestment Corporation (CCRC), the GHA holds two residual receipts loans currently in second lien position, and the Los Angeles County Development Authority (LACDA) holds a residual receipts loan in third position.

On December 11, 2024, CCRC notified stakeholders that Metro Loma, LP had initiated a strategic default and ceased first mortgage payments effective November 2024. Metro Loma LP, along with its sponsor Wentwood ORC Funds LLC and its affiliated property manager Westlake Housing LP, announced their intent to sell or abandon all California holdings and exit the state.

On March 4, 2024, the City Council and the GHA approved a Resolution of Appropriation for \$376,000 to make current the past-due mortgage payments due to CCRC, cover the next five months of mortgage payments, and fund urgent repairs. In return, CCRC verbally committed to delay foreclosure proceedings while GHA and LACDA staff develop a plan to preserve the affordability of Metro Loma and ensure its long-term financial feasibility.

GHA and LACDA staff engaged CCRC on negotiations of a pre-foreclosure cooperation agreement, but that agreement was not executed before CCRC made the decision to proceed with initiating the foreclosure process. As a result, Glendale staff did not draw down any of the approved \$376,000 intended to make CCRC's loan current.

GHA and LACDA staff continued to work together to develop a plan for the long-term financial feasibility of Metro Loma. This includes purchasing the first trust deed loan held by CCRC, funding capital needs and reserves, as well as increasing rents which have not been subject to rent increases since 2020.

Staff is currently engaged with two developers who may assume the role of developer/lessee and manage the project. It is anticipated that the current property manager will cease management responsibilities June 30, 2025 and the current borrower/lessee has agreed to remain in place until August 15, 2025.

RECOMMENDATION

That the City Council adopt a Resolution of Appropriation in the amount of \$1,373,891 from the City's Affordable Housing Trust Fund, (total of \$1,749,891 for Metro Loma since \$376,000 was previously approved and appropriated on March 4th, 2025).

ANALYSIS

Metro Loma is an affordable rental housing, tax credit project located at 328 Mira Loma Avenue. The development consists of 44 units: 1 one-bedroom, 29 two-bedroom, and 13 three-bedroom units, along with one manager's unit (the Project). Rents are targeted at households earning 30% to 60% of Area Median Income (AMI).

The Project has been in service since 2009. The GHA owns the land and leases the Property to Metro Loma, LP. The GHA holds two residual receipts loans totaling \$5,037,355, currently in second lien position. LACDA holds a residual receipts loan in third position totaling \$1,472,000. The first mortgage is held by CCRC, with a current loan balance of approximately \$1.5 million.

According to recent financial statements, Metro Loma has been operating at a loss in recent years. In 2024, the Project experienced a negative cash flow of \$200,000. This is due to management not raising rents during or after the COVID-19 pandemic, combined with rising operating costs—most notably, property insurance, which has nearly tripled over the past five years.

In 2024, Metro Loma LP, along with its sponsor Wentwood ORC Funds LLC and its

affiliated property manager Westlake Housing LP, announced their intent to sell or abandon all California holdings and exit the state. Given the financial challenges with Metro Loma, no immediate replacement buyer was identified by Metro Loma LP. Consequently, the partnership opted for a strategic default, potentially triggering foreclosure proceedings by CCRC.

On December 11, 2024, CCRC notified stakeholders, including the GHA and LACDA, that Metro Loma LP, the borrower and lessee, had ceased first mortgage payments effective November 2024.

GHA and LACDA staff engaged CCRC on negotiations of a pre-foreclosure cooperation agreement. This agreement proposed GHA would provide sufficient funds to make the first trust deed loan current, as well as reserve monthly mortgage payments for five additional months. It would also cover the approximate \$220,000 in immediate capital needs identified in a property conditions report commissioned by CCRC. It was expected that this agreement would provide sufficient time for GHA and LACDA staff to work out a long term solution for Metro Loma by eventually purchasing the first trust deed loan from CCRC and addressing project costs, as well as increasing revenue (rents) in order for Metro Loma to return to operating as a financially feasible, 100% affordable project for which a new developer would agree to assume ownership and management responsibilities.

On March 4, 2024, the City Council and the GHA approved a Resolution of Appropriation for \$376,000 to fund the short-term strategy detailed above, however, the pre-foreclosure cooperation agreement was not executed before CCRC made the decision to proceed with initiating the foreclosure process. As a result, Glendale staff did not draw down any of the approved \$376k.

GHA and LACDA staff have negotiated and executed an Option to Purchase Agreement (Exhibit 1) with Metro Loma, LP to purchase their rights as borrower/lessee of Metro Loma for \$100. This agreement provides a commitment from Metro Loma, LP along with Westlake Housing LP, to continue to manage Metro Loma through June 30, 2025, and remain in place as lessee until August 15, 2025, to allow GHA and LACDA time to identify a new lessee/borrower.

GHA and LACDA staff are also negotiating a Mortgage Loan Sale Agreement with CCRC (Exhibit 2), allowing GHA to purchase the first trust deed loan from CCRC.

Staff is now proposing a coordinated approach with LACDA to prevent foreclosure and preserve Metro Loma's affordable housing units. This coordinated approach includes

increasing rents and reducing operating costs (primarily by removing debt service).

With respect to rents, GHA and LACDA staff prepared multiple scenarios to ensure long term financial feasibility for Metro Loma. Staff recommends implementing a tiered rental increase structure designed to balance fairness and financial sustainability for Metro Loma. For residents who are rent-burdened, a very modest increase will be given to minimize additional strain and ensure continued housing stability. As for tenants whose incomes demonstrate they are not rent burdened, but are not classified as high earners, the rent adjustments will be more robust compared to the rent-burdened tenants. Meanwhile, for high income tenants, a more aggressive rent increase is proposed in alignment with their greater financial capabilities. These rent increases will help ensure the long-term financial sustainability of Metro Loma, allowing the property to begin operating in the positive cash flow by year three. At the same time, the rent increases are structured to preserve affordability for current tenants, ensuring that living in a quality, affordable housing community remains within reach without placing an undue burden on household budgets.

To avoid foreclosure and to reduce operating costs, staff proposes the GHA purchase the first trust deed loan from CCRC and contribute to reserve accounts, transaction and closing costs. GHA's total proposed contribution of \$1,749,891 includes the previously allocated funds approved March 4, 2025 by the City Council in the amount of \$376,000. GHA's proposed contribution is also the prorata share of the overall infusion of funds totaling \$2,255,014 with GHA contributing 77.6% and LACDA contributing 22.4% based on GHA and LACDA's current loan amounts to Metro Loma

The chart below details both GHA and LACDA's proposed financial contribution to Metro Loma.

	Total	Glendale	LACDA
	100.00%	77.60%	22.40%
CCRC Loan Purchase	\$1,527,014	\$1,527,014	
PNA Reserve	\$240,000		\$240,000
Transition Reserve	\$100,000		\$100,000
Replacement Reserve	\$110,000	\$85,360	\$24,640
Operating Reserve - General	\$27,500	\$21,340	\$6,160
Operating Reserve - Expected Deficit	\$160,000	\$45,949	\$114,051
Transaction Fee	\$50,000	\$38,800	\$11,200
Closing Costs & Contingency	\$40,500	\$31,428	\$9,072
Total	\$2,255,014	\$1,749,891	\$505,123

GHA's funds will primarily be used to purchase the CCRC loan and GHA will be the sole owner of the loan. The PNA reserve is meant to address the immediate capital needs identified in the Property Conditions Report commissioned by CCRC and prepared by Partner Engineering and Science, dated January 13, 2025. This includes the estimated \$222,000 plus approximately 10% in contingency, proposed to be funded entirely by LACDA.

The Transition Reserve is intended to cover costs or losses during the transition of the ownership and management of Metro Loma. Like the PNA Reserve, the Transition Reserve is also proposed to be funded entirely by LACDA. Metro Loma has a Replacement Reserve balance of approximately \$66,000. Staff proposes to increase this amount by \$110,000 for a total of approximately \$176,000, which is in line with industry standards of \$250 per unit for the 17 years the project has been in service.

There are two operating reserves: 1) a general operating reserve to cover normal operating expenses. Metro Loma's current operating reserve balance is approximately \$50,000. Staff proposes to increase this by \$27,500 in order to bring the balance up to industry standards of three months of operating expenses, and 2) operating reserve is a new reserve account proposed by staff to cover operating losses for approximately three years when it is anticipated Metro Loma's cash flow will stabilize and operate without a deficit.

The Transaction Fee of \$50,000 is intended to cover costs incurred by the replacement developer/borrower/lessee while the closing costs and contingencies amount of \$40,500 is requested to cover any other expenses related to the overall transaction of purchasing the first trust deed note and replacing Metro Loma, LP with a new owner/manager.

The requested funds would come from the City's Affordable Housing Trust Fund, which is supported by in-lieu fees collected under the City's Inclusionary Zoning Ordinance (GMC Chapter 30.35). Per GMC Section 30.35.060, this fund must be used exclusively for housing projects that serve extremely low, very low, low, and moderate-income households.

If approved by the City Council, the appropriation would remove CCRC as holder of the first trust deed loan, address the immediate capital needs of Metro Loma, fund capital and operating reserves, and attract a replacement lessee/borrower to own/manage Metro Loma for the long term. Staff anticipates returning to the City Council and Housing Authority in the next three months for approval of a new lessee/borrower, and an Amended and Restated Affordable Housing Agreement, Ground Lease, and related documents.

STAKEHOLDERS/OUTREACH

Not applicable at this time

FISCAL IMPACT

Approval of this action will cost \$1,749,891. Of this amount, \$376,000 was previously approved by the City Council on March 4, 2025 to be spent on the project. The additional \$1,373,891 was not included in the FY 2024-25 budget. Staff is proposing the use of the Affordable Housing Trust Fund's fund balance as outlined below. This funding is designated for affordable housing purposes, including the preservation of affordable housing. As this is a local source of funds, there is not mandate for additional restrictions or affordability covenants.

Existing Appropriation			
Amount	Account String		Funding Source
\$376,000	43112-2090-CDD-0020-P0000 PL: CDD01336AN		Affordable Housing Trust Fund
Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$1,373,891	24214-2090-CDD-0000-P0000	43112-2090-CDD-0020-P0000 PL: CDD01336AN	Affordable Housing Trust Fund

ENVIRONMENTAL REVIEW (CEQA/NEPA)

The action of appropriating funding to purchase the loan and attempt to preserve affordability of the already- existing Project is exempt from further environmental review under the California Environmental Quality Act ("CEQA") pursuant to Title 14 of the California Code of Regulations ("CEQA Guidelines") for all of the following reasons: 1) the activity will not result in a direct or reasonably foreseeable indirect physical change to the environment under CEQA Guidelines Section 15060(c)(2) because the Project is already built, the funding will go to purchasing the loan and routine maintenance/repairs, and any maintenance or repair work will undergo independent CEQA review at the time if/when such repairs are proposed; 2) the activity is not a project under CEQA Guidelines Section 15060(c)(3) and 15378(b)(4) because it constitutes the creation of government funding mechanisms or other governmental fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the

environment; and 3) the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and here, it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment per CEQA Guidelines Section 15061(b)(3).

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES TO STAFF RECOMMENDATION

1) The City Council may reject the appropriation of funding and allow the Project to be foreclosed upon by the first mortgage lender, which will very likely result in the loss of all affordability covenants governing the Project.

2) The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

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Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

1. Executed Option to Purchase Agreement - (Metro Loma Affordable Housing Project)
2. Draft Mira Loma (Metro Loma) Mortgage Loan Sale Agreement