

MUNICIPAL FACILITIES COMMITTEE  
Minutes from the Special Meeting of July 31, 2023

MEMBERS: Matthew W. Szabo, Office of the City Administrative Officer, Chair (CAO)  
Sharon Tso, Office of the Chief Legislative Analyst (CLA)  
Bernyce Hollins, Office of the Mayor (Mayor)

The meeting was called to order at 1:05 p.m.

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General Public Comment.

**Item 2** Report from General Services Department (GSD) requesting authority to negotiate and execute a purchase and sale agreement with Mayfair Lofts, LLC, for the acquisition of the Mayfair Hotel located at 1256 West 7th Street, and related agreements to operate interim housing as part of the Operation Inside Safe Initiative.

**Disposition:** Approved as amended.

Matthew Szabo, CAO, requested Item No. 2 be taken out of order prior to Item No. 1.

Jenna Hornstock, Mayor, provided a brief summary of the report stating that the Mayor proclaimed a Local Emergency on her first day in office, ratified on December 13, 2022, to tackle the housing and homelessness crisis and that the City must address the stock of interim housing, noting that the focus on permanent housing has resulted in a lack of single room occupancy interim housing. Ms. Hornstock further added that the latest point-in-time count found a 10 percent increase in homelessness, with 47,000 individuals unsheltered. And that the long-term leasing and acquisitions are critical to the Inside Safe Program and the overall efforts to end unsheltered homelessness. Ms. Hornstock noted that the Mayfair is the first proposed acquisition of a hotel for permanent interim housing and that the City Budget committed the City to pursue acquisitions to address homelessness and to bring down the cost of the Inside Safe program. Ms. Hornstock further noted that the Mayor's Office worked in collaboration with GSD, Bureau of Engineering (BOE), City Attorney, and the Community Investment for Families (CIFD) on the CDBG application for this acquisition.

Ms. Hornstock further made a verbal report into the record. The update is to amend Recommendation No. 11 in the GSD report, increasing the operating budget to reflect \$30,000 per month for security costs. Ms. Hornstock read the following amendment into the record: "Approve \$5,067,000 from the General City Purposes Fund Account No. 100/56, Account 000959, Homelessness Emergency Account to the General

Services Department Fund No. 100/40, in a new account entitled “Master Trust Account” to pay for monthly costs (first annual year) associated with the aforementioned Asset Management Agreement with HACLA, through June 30, 2026, with automatic one-year renewals, subject to Mayor approval.” Ms. Hornstock proceeded to provide an overview of the report as amended by the updated numbers.

Melody McCormick, GSD, noted that the verbal amendment will be incorporated into the GSD report and provided to the CAO for transmittal. Ms. McCormick provided an overview of the GSD report, noting that the purchase price will be \$60.2 million in an as-is condition as determined by a Class A appraisal conducted by a contracted consultant. Ms. McCormick further added that the Asset Management Agreement with HACLA to operate and maintain the facility would cost \$7,000 monthly with an expiration date of 10 years and that annual operating costs are estimated at \$5 million. Ms. McCormick noted that BOE will conduct renovations costing \$21 million for hard and soft costs including repairs, furniture replacement, seismic strengthening, and other improvements. Ms. McCormick further commented that the hotel is anticipated to reopen in January 2024, coinciding with the expiration of the LA Grand Hotel agreement. Ms. McCormick concluded that the City will work with the County to select an on-site services provider and that the purchase price includes a reduction from the original price due to items identified during due diligence.

Sharon Tso, CLA, inquired as to whether any alternative acquisition properties were explored. Ms. Hornstock responded that there are a number of properties being looked at, however, this property was first because it was further along in negotiations due to another potential buyer, as well as the importance of the Grand Hotel agreement expiration and the focus on the Downtown LA area. Ms. Tso asked for confirmation if there are other properties under negotiation. Ms. Hornstock confirmed and added that the Project Homekey 3 application that is being considered by Council and that there are two potential additional acquisitions to be located in the Westside and the Valley.

Ms. Tso also asked for an overview on the community engagement process. Ms. Hornstock noticed that the focus was on the transaction and that there were public meetings held and noted that there will continue to be more community engagement during the service provider selection. Ms. Tso noted that the acquisition process has been expedited, and asked if high purchase and activation costs make operation unfeasible and requested clarification on the plan for the hotel. Ms. Hornstock replied that sufficient funding is available for operation and desired City renovations.

Ms. Tso inquired as to whether due diligence reports are usually made public. Lindsey Zwicker, City Attorney, responded that due diligence reports are not typically included in reports, however, in this case the City agreed not to disclose any deficiencies found during due diligence. Ms. Zwicker further added that due to the expedited timeline, BOE engaged CBRE to perform the due diligence.

Ms. Tso noted that the overnight pricing in the report does not include the costs of renovation, purchase, acquisition, or activation and that the full amortized amount should be included in the cost comparison. Ms. Tso further commented that the Grand Hotel the price range reflects double occupancy and therefore the direct comparison would be half the cost. Ms. Hornstock replied that the 10-, 15-, 30-year amortization calculations were taken into consideration. Ms. Tso noted that the length of the City's use of the facility should be factored and be included in the nightly cost. Ms. Tso additionally requested clarification on which renovations are included in the \$19 million renovation figure. Ms. Hornstock responded that costs are included that were identified during due diligence and that a response can be provided during closed session.

Matthew Szabo, CAO, requested the Mayor's Office provide input on the process to select a service provider for the site and what the public can expect. Ms. Hornstock clarified that Project Homekey was a public health program and not a services program, and therefore did not include wraparound services. Ms. Hornstock commented that the City will be receiving a grant through the County's Housing for Health program to provide low-barrier, housing first, trauma-informed supportive services for individuals with health, mental health, or substance abuse disorders. Ms. Hornstock added that the facility would provide a safe place for individuals to work with on-site case managers to transition to permanent housing and to link or directly provide a range of services for participants to improve quality of life, increase housing stability, reduce health and mental health impairments, and improve wellness and recovery. Ms. Hornstock further added that the services include substance abuse treatment, mental health treatment, life skills activities and training, housing stabilization, community integration activities, wellness checks, legal services, and educational and employment services. Ms. Hornstock added that the assessment tool will be used by the County to assess the needed housing and services for all participants in the facility. Ms. Hornstock concluded that the County is the lead on providing the services and will be selecting a service provider with HACLA serving as the asset manager.

Mr. Szabo requested clarification on whether security will be provided through the operator. Ms. Hornstock replied that HACLA will provide security and added that there is also funding for potential increased security.

Ms. Tso inquired if the Mayfair has been declared a historic place. Ms. Hornstock confirmed that it has been declared historic. Ms. Tso noted that modifications could be restricted if the building has been declared a historic building. Ms. Tso additionally inquired if there are any additional ADA needs. Ms. Hornstock noted that LADBS was conferred with to ensure the facility has met ADA requirements.

**Item 1**

**ADJOURN TO CLOSED SESSION:**

Meeting adjourned to closed session at 1:56 p.m.

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS**, pursuant to Government Code Section 54956.8.

**Property Location:** Real Property located at 1256 West 7th Street, Los Angeles, CA 90017 (APN: 5143-012-029)

**Property Owner:** Mayfair Lofts, LLC

**Agency negotiator/presenters:**

Amy Benson, Director, Real Estate Division, General Services Department;

Melody McCormick, Assistant General Manager, General Services Department;

Kenneth Stanberry, Assistant Director, General Services Department

Jenna Hornstock, Deputy Mayor of Housing, Office of the Mayor

Onno Zwaneveld, Executive Vice President, CBRE, Inc.

**Negotiating Parties:** City of Los Angeles, Department of General Services, and Mayfair Lofts, LLC, a California Limited Liability Company

**Under Negotiation:** Price and terms of payment of purchase and sale agreement

**RECONVENE REGULAR MEETING IN PUBLIC SESSION**

*Meeting reconvened to Public Session at 2:31 p.m.*

**CLOSED SESSION ANNOUNCEMENTS**

*No closed session announcements.*

**Item 3**

Adjournment – Next Regular Meeting, Thursday, September 28, 2023.

*The meeting adjourned at 2:33 p.m.*