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NEWS RELEASE

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FOR IMMEDIATE RELEASE

Councilmember José Huizar Encourages Broadway Property Owners To Look To City for Capital in Hard Times

Loan program through the Community Development Department makes available up to \$150 million annually for property owners who wish to improve and renovate their buildings

LOS ANGELES (Nov. 12, 2008) - Councilmember José Huizar and the Community Development Department announced this week that they are encouraging Broadway Corridor property owners who wish to renovate and upgrade their buildings - but who are struggling with tight credit markets and a lack of willing commercial lenders - to look to the City as a capital loan provider.

The Section 108 Loan Program, administered by the U.S. Department of Housing and Urban Development is managed for the City by the CDD and provides funding for land acquisition, construction or renovation, related costs of fixtures, equipment and other soft costs.

"We need to get creative," said Councilmember José Huizar. "We have more than 1-million square feet of vacant or underutilized commercial space along Broadway right now - that's a million square feet providing no jobs, and no revenue for the City. Access to capital is a lifeline for projects which can change that."

The loan program has traditionally been used by CDD as a subordinate loan, to provide gap funding for larger scale projects. In light of the global financial crisis in which even the best credit customers are having trouble securing additional debt from commercial lenders, Huizar and the CDD are working out a plan whereby a borrower's considerable equity - such as has been accumulated along Broadway - will allow CDD to offer the program as a primary loan initially, since the procurement of private capital has become such a challenge. Up to \$150 million annually could be made available to property owners through this program.

(more)

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Once the project is completed and stabilized, the borrower would be required to obtain permanent financing from a commercial lender, with the Section 108 loan then subordinated. Huizar hopes to have those details worked out and the first loan approved in early 2009, leading the way for others to take advantage of this program.

Section 108 Loan Program projects must meet specific requirements established by HUD for providing public benefits - for example projects are expected to create one job for every \$35,000 borrowed, and about half of those jobs should be made available for low and moderate income workers. With no jobs in many of the upper floors right now, that should be an easily attainable goal once the floors are re-occupied. The loan program's longer repayment schedule - up to 20 years - also has advantages for borrowers.

Last week, City Council approved the creation of a Bringing Back Broadway Commercial Reuse Task Force to create policies and procedures necessary for an ordinance along with meaningful incentives to encourage the reactivation of underutilized, often long-vacant upper floors along Broadway and in the historic core. Many of the buildings, after years or decades of vacancy cannot legally be occupied without significant and costly life-fire safety upgrades.

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