

## REPORT FROM

# OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 7, 2025

CAO File No. 0220-05762-0014  
Council File No. 20-0941  
Council District: 1,6,7,8,9,11,12,13,14

To: The City Council

From: *Yplenda Chaniz*  
for Matthew W. Szabo, City Administrative Officer

Reference: Project Homekey1

Subject: **APPROVAL TO AMEND PROJECT HOMEKEY1 LEGAL DOCUMENTS AND  
OTHER RELATED ACTIONS**

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## SUMMARY

In December 2020, the City Administrative Officer (CAO), in partnership with the Housing Authority of the City of Los Angeles (HACLA), acquired 15 motels/hotels and three (3) commercial properties with Coronavirus Relief Funds. Ten of the motels/hotels acquired received matching funds from the State of California Housing and Community Development Department (HCD) Project Homekey1 Program. The City executed legal documents (Promissory Notes, Deeds of Trust and Regulatory Agreements), to protect its interest in each of these properties. The legal documents must now be modified in order to document the proposed changes to each project as detailed in this report.

For projects that will continue to operate as interim housing in the near term but may still convert to permanent use in the future, this report recommends extending the interim housing period for another three years, with an option to extend for an additional three years thereafter. For projects that will continue to operate as interim housing indefinitely, with no conversion to permanent housing, this report outlines the requirements that will be included in the amended and restated legal documents. Finally, this report recommends time extensions for sites that are building new and other related actions for the Project Homekey1 program. It also recommends to amend the loan amounts for sites that received a HCD match.

## RECOMMENDATIONS

That the City Council, subject to approval by the Mayor:

1. Approve the extension of the interim housing period for three (3) years through December 10, 2028, with the option to extend for an additional three (3) years through December 10, 2031, for the following Project Homekey1 projects that have the option to convert to permanent housing at a later date:

Original/New Project Name	CD	# of Beds	Owner/Operator	Owner/Operator Legal Name
Hotel Solaire/Beacon 1710 7 <sup>th</sup> Street, Los Angeles, CA 90017	1	91	Weingart	Weingart Beacon LLC, a California liability company
Econo Motor Inn/Sepulveda Villa 8647 Sepulveda Boulevard, Los Angeles, CA 91343	6	58	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization
Good Nite Inn/Encinitas 12835 Encinitas Avenue, Sylmar, CA 91342	7	86	LA Family Housing/LAFH Builds, Inc.	LAFH Builds, Inc., a California nonprofit public benefit corporation, its sole member/manager
King Solomon Village 1300-1332 Slauson Avenue, Los Angeles, CA 90044	9	100	Ward Economic Development Corporation	Ward Economic Development Corporation, a California nonprofit public benefit corporation
Super 8 LAX/The Layover 9250 Airport Boulevard, Los Angeles, CA 90045	11	38	The People Concern	People Co, LLC, a California liability company
Travelodge Devonshire/Devonshire Lodge 21603 Devonshire Street, Los Angeles, CA 91311	12	76	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization
Titta Inn/Casa Luna 5533 Huntington Drive North, Los Angeles, CA 90032	14	47	National Community Renaissance of California (NCRC) and Union Station Homeless Services	NCRC Titta Inn LLC, a California limited liability company
Super 8 Alhambra/Huntington Villas 5350 Huntington Drive South, Los Angeles, CA 90032	14	52	National Community Renaissance of California (NCRC) and Union Station Homeless Services	NCRC Super 8 LLC, a California limited liability company

2. Approve reductions in the loan amounts to include only the City-funded portion of the acquisition costs, as the State of California Housing and Community Development Department (HCD) portions of the acquisition costs are considered grant funding and should be excluded from the loans for the following Project Homekey1 projects:

Original/New Project Name	CD	Owner/Operator	Owner/Operator Site Legal Name	Loan Amount on current City Loan documents	Proposed Loan Amount
Hotel Solaire/Beacon 1710 7 <sup>th</sup> Street, Los Angeles, CA 90017	1	Weingart	Weingart Beacon LLC, a California liability company	\$18,000,000	\$4,238,814
Econo Motor Inn/Sepulveda Villa 8647 Sepulveda Boulevard, Los Angeles, CA 91343	6	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization	\$10,600,000	\$2,135,002
EC Motel/Restoration Apartments 3501 Western Avenue, Los Angeles, CA 90018	8	Special Service for Groups, Inc. (SSG HOPICS)	Special Service for Groups, Inc., a California nonprofit organization	\$5,325,000	\$1,013,635
Travelodge Devonshire/Devonshire Lodge 21603 Devonshire Street, Los Angeles, CA 91311	12	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization	\$15,600,000	\$3,385,075
The Nest/The Nest 253 Hoover Street, Los Angeles, CA 90004	13	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization	\$7,244,000	\$1,435,783
Titta Inn/Casa Luna 5533 Huntington Drive North, Los Angeles, CA 90018	14	National Community Renaissance of California (NCRC) and Union Station Homeless Services	NCRC Titta Inn LLC, a California limited liability company	\$8,580,000	\$1,689,344

3. Approve the following terms for Project Homekey1 sites that have been approved as permanent interim housing sites, the owner/operators will be required to provide interim

housing for 30 years, with a portion of the loan to be forgiven annually, until fully forgiven at the end of the 30-year term, through December 10, 2055:

Original/New Project Name	CD	# of Beds	Owner/Operator	Owner/Operator Legal Name
Woodman/Arleta 9120 Woodman Avenue, Los Angeles, CA 91334	6	148	National Health Foundation	Community Works Arleta, LLC, a California limited liability company
Long Beach 2521-2525 Long Beach Avenue, Los Angeles, CA 90058	9	140	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization
The Nest 253 Hoover Street, Los Angeles, CA 90004	13	38	Volunteers of America Los Angeles (VOALA)	Volunteers of America Los Angeles, a California nonprofit religious organization

4. Instruct the City Administrative Officer (CAO), with the assistance of the City Attorney, to add the language previously approved by the Mayor and Council to the Woodman/Arleta site legal documents, designating this site as an interim housing site which provides recuperative care to homeless seniors, age 55 years or older, with chronic illnesses;
5. Approve the change in ownership for the Good Nite Inn/Encinitas, located at 12835 Encinitas Avenue, Sylmar, CA 91342, in Council District 7, from LA Family Housing to LAFH Builds, Inc., a California nonprofit public benefit corporation, its sole member/manager, or such other entity controlled by LAFH Builds and approved by the CAO to hold title to and operate the property;
6. Instruct the CAO to inform all owner/operators of sites continuing as interim housing that approval for conversion to permanent housing will only be granted when either project-based vouchers or an alternative operating source that ensures the City homeless households will be housed in the converted permanent units, have been secured;
7. Approve the change in project scope to allow demolition and new construction for the EC Motel/Restoration Apartments, located at 3501 South Western Avenue, Los Angeles, CA 90018, in Council District 8, which has been approved for early conversion to permanent supportive and affordable housing;
8. Approve a three-year extension of the agreement with SSG HOPICS/Special Service for Groups, Inc. to allow the owner/operator of the EC Motel/Restoration Apartments to obtain full funding to build a new permanent supportive and affordable housing at the 3501 South Western Avenue site;

9. Approve a three-year extension of the agreement with Coalition for Responsible Community Development (CRDC)/Historic Lincoln Theatre LP, a California limited partnership, developer of the Lincoln Historic Theatre site, located at 2300-2332 Central Avenue, Los Angeles, CA 90011, in Council District 9, to allow CRCD to obtain full funding for construction of a permanent supportive, supportive and affordable, or 100 percent affordable housing project; and,
10. Authorize the City Administrative Officer and the City Attorney to draft, negotiate, and execute amended and restated loan documents in a form authorized by the City Attorney and consistent with the recommendations above.

## **BACKGROUND**

In July 2020, when the State of California Housing and Community Development Department (HCD) issued the Project Homekey<sup>1</sup> Notice of Funding Availability, it was determined that the City Administrative Officer (CAO), in partnership with the Housing Authority of the City of Los Angeles (HACLA), would apply to acquire sites for interim housing to meet the requirement to create 6,700 new interim beds under the Homelessness Roadmap Agreement with the County of Los Angeles. The CAO proposed a program, approved by the Mayor and Council, which would allow the motel/hotels to provide interim housing for a period of three (3) years and a maximum of five (5) years before the site would receive approval to convert to permanent housing. The Mayor and Council provided approval for early conversions for three (3) sites that received Hilton Foundation grants for permanent conversion. Two other sites received approval for early permanent conversion due to extensive rehabilitation required and to ensure financial viability. Finally, the Howard Johnson/Sieroty received approval for conversion because the site acquired full funding and vouchers to cover operations costs and the Huntington Villas recently received conditional approval pending funding from the HCD Homekey+ Program. When these sites convert, the Los Angeles Housing Department (LAHD) restructures the loan (cost of acquisition), as a residual receipts loan and other legal documents and the sites become part of the LAHD affordable housing portfolio.

The recommendations in this report address the sites that will continue to operate as interim housing and/or are building new, and other necessary actions as outlined below.

## **DISCUSSION**

### **Recommendation 1**

The City's existing legal documents for these projects, (Promissory Notes, Deeds of Trust and Regulatory Agreements), which protect its interest in these properties, only envisioned operation as interim housing for up to five years, through December 2025. As such, the City needs to amend these documents and Recommendation 1 proposes to extend the interim housing period for the sites which do not yet have approval to convert to permanent housing. Approval to convert to

permanent housing requires HCD approval, if the site received a state funding match, as well as Mayor and Council approval.

The interim housing period would be extended for three (3) years, with an additional three (3) year option. The City continues to need interim housing and the lack of project-based vouchers (PBVs) makes conversion to permanent supportive housing challenging and financially infeasible. Additional information on the lack of PBVs is included in Recommendation 6 below.

One of the commercial sites acquired in Council District (CD) 9, King Solomon Village, was acquired to develop new supportive and affordable housing. The site has been providing interim housing beds until the owner/operator secures full financing to build new units on the site. The Huntington Villas site in CD 14, which has received conditional approval to convert to permanent housing, is included in this recommendation in the event the owner/operator does not secure all the required funding sources for the permanent conversion before December 2025.

### Recommendation 2

As noted in the summary, the City received a match from HCD for 10 of the 15 motels/hotels acquired. The HCD has decided to convert its funding match into a grant. Therefore, the loan amounts for these sites need to be amended to align with the HCD policy and include only the City portion of the acquisition cost. When these sites convert to permanent housing, the City portion of the acquisition cost is restructured into a residual receipts loan by LAHD.

### Recommendation 3

The Mayor and Council previously approved the Nest, Woodman/Arleta, and Long Beach sites as permanent interim housing sites. The Nest in CD 13 was built as a shared housing building, which make it financially infeasible to convert to individual housing units. The Woodman/Arleta in CD 6 is a former elder care site. The owner/operator, National Health Foundation, was selected to provide interim housing with recuperative care for homeless seniors, 55 years of age or older, with chronic illnesses. The Long Beach site is one of the three commercial sites acquired in CD 9 that has been converted from a warehouse to an interim housing site. To align with the Project Homekey3 sites that LAHD has acquired for interim housing, the CAO recommends the same terms; require interim housing for a 30-year term with a portion of the loan forgiven each year.

### Recommendation 4

This recommendation instructs the CAO, with the assistance of the City Attorney, to include the previously approved Mayor and Council criteria for the Woodman/Arleta site in the revised legal documents. This site was designated as an interim housing facility providing recuperative care to homeless seniors, 55 years of age or older, with chronic illnesses.

### Recommendation 5

This recommendation changes the ownership entity for the Good Nite/Encinitas site in CD 7 from LA Family Housing to LAFHBuils, Inc., a California nonprofit public benefit corporation, its sole member/manager. The LA Family Housing has established LAFHBuils, Inc. as its development division. The authorization request includes language that would also allow an entity controlled by LAFHBuils, Inc. to step in as the owner of the Property without further Council approval, if LAFHBuils, Inc. chooses to do so, with the approval of the CAO.

### Recommendation 6

The Housing Authority of the City of Los Angeles (HACLA) currently does not have project-based vouchers (PBVs). This creates a significant obstacle for conversion to permanent housing. The HACLA is able to convert 30 percent of its total voucher allocation to project-based vouchers, which have been exhausted. The HACLA is waiting for a response from the U.S Department of Housing and Urban Development on its waiver request to increase the 30 percent to 50 percent. HACLA anticipates this response by June 2025. The PBVs are critical to support operational costs given that most homeless households have very little or no income and the PBVs provide the operational funding to make a permanent supportive housing project feasible. The only available options for operational funding include tenant-based vouchers and the LA County Department of Health – Housing for Health program.

### Recommendations 7 and 8

The EC Motel/Restoration Apartments, a 30-unit site in CD 8, received an HCD match and provided interim housing for almost four years before receiving approval to convert to permanent housing. After reviewing the conversion cost, it was determined that it was more financially viable to demolish and build new. Up to 80 new units may be built on the site. This report recommends the demolition of the current site and the approval of new construction. It also recommends that the City extend its legal documents to allow the owner/operator to secure financing for the new project.

### Recommendation 9

The Lincoln Theater is the third commercial site acquired in CD 9. The site was acquired to develop a new permanent housing project. The owner/operator, CRCDD, has had a challenging time securing financing due to the lack of PBVs. Since its acquisition, the site has been used as a safe sleep site for up to 88 individuals. This report recommends extending the City legal documents to allow the owner/operator to secure full funding and build either a supportive, supportive and affordable, or 100 percent affordable project, given the challenges with operating subsidies.

**Recommendation 10**

This recommendation authorizes the CAO and City Attorney to draft, negotiate and execute the amended legal documents. These documents are recorded against the properties to secure the City's interest and ensure the owner/operator's compliance with the site's required use.

**FISCAL IMPACT**

The recommendations in this report do not impact the General Fund.

**FINANCIAL POLICIES STATEMENT**

The recommendations in this report comply with the City Financial Policies.

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