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City of Los Angeles



LOS ANGELES HOUSING DEPARTMENT
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Karen Bass, Mayor

January 9, 2024

Council File: 21-0112
Council Districts: 8, 11, 13
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT TECHNICAL CORRECTIONS RELATED TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) HOMEKEY PROGRAM ROUND 2

SUMMARY

This transmittal continues the process through which the City of Los Angeles will expand the housing portfolio for those at risk of homelessness and experiencing homelessness in Los Angeles via HCD's Homekey program. This report makes recommendations necessary for technical corrections to allow three Homekey Round 2 projects to proceed as planned under their permanent owner/operators: 2812 Temple / 916 Alvarado (Brilliant Corners), 6531 Sepulveda (American Family Housing), and 1654 W. Florence. These actions include:

1. Adopting revised resolutions authorizing the co-applicants for 1654 W. Florence and 6531 Sepulveda
2. Amendment of the Council-approved unit counts at 2812 Temple / 916 Alvarado and 6531 Sepulveda.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. ADOPT the revised Authorizing Resolutions, Attachment 1 of this report, as required by the State of California Department of Housing and Community Development, for the projects at 1654 W. Florence, and 6531 Sepulveda;
 - B. AUTHORIZE LAHD, subject to the approval of the City Attorney's Office, to draft and execute the resolutions substantially in the form of the draft Resolutions attached hereto, incorporating any necessary adjustments to the draft Resolutions that may be required by the State of California Department of Housing and Community Development prior to their execution, and;

- C. APPROVE the amendment of the terms of the respective loan documents to change the number of units per project, for the following Homekey Round 2 projects, and;

	Project	CD	Current Units	Proposed Units
1	6531 Sepulveda	11	133	120
2	2812 Temple / 916 Alvarado	13	68	66

- D. AUTHORIZE the General Manager of LAHD, or designee, to allow the transfer of the City's financial commitment to a limited partnership or other legal entity formed as an affiliate of the selected owner/operator solely for the purpose of owning and operating a Homekey Round 2 project, in accordance with City, State, and Federal requirements, for all Homekey Round 2 projects.
- E. AUTHORIZE the General Manager of LAHD, or designee to modify or amend, and execute, loan documents for Homekey Round 2 projects (including promissory notes, deeds of trust, regulatory agreements, and any other necessary legal documents), subject to review and approval of the City Attorney's Office as to form, as described in the authorizations above.

BACKGROUND

On September 9, 2021, HCD issued a Notice of Funding Availability (NOFA) for Homekey Round 2 grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.). HCD selected the City of Los Angeles and the Housing Authority of the City of Los Angeles ("HACLA") as Co-Applicants. HACLA was contracted to manage the properties until the Owner/Operators were selected through the department's Request for Proposals (RFP) process.

The City's Homekey Round 2 consists of eight projects with 9 properties, and an additional four projects acquired and operated by HACLA. Transfer of the eight projects to their Owner/Operators is underway and expected to be complete by January 2023. Through this transmittal, LAHD is seeking authority to execute amended loan agreements to enable successful completion of three projects.

AMENDED RESOLUTIONS FOR 1654 W FLORENCE AND 6531 SEPULVEDA

HCD requires that the City execute agreements (referred to as Resolutions) authorizing Homekey applicants to apply for funding. Pursuant to the approval by City Council as set forth in C.F. 21-0112, Resolution Nos. 1-9, the City applied for Homekey Round 2 funds under the NOFA and was authorized and directed to enter into a standard agreement with HCD for Homekey projects, conditioned upon HCD's selection of the project for an award under the NOFA. After HCD's award of Homekey funding to the City's nine projects, the City selected new Owner/Operators through LAHD's RFP. On March 17, 2023, Council acknowledged the award of Homekey funds for specific projects and their selected Owner/Operators, and adopted the revised Authorizing Resolutions naming the Owner/Operators.

Since that time, two of the organizations have identified a preference for holding their Homekey Round 2 projects as Limited Liability Companies (LLCs) rather than Limited Partnerships (LPs). Because the Authorizing Resolutions were executed with the respective LPs, at this time Council is asked to approve amended Resolutions with the LLCs.

1654 W. Florence

The Council-approved resolution for 1654 W. Florence named Linc-Florence Apts, LP as co-applicant. At this time, Council is asked to adopt a revised resolution for 1654 W. Florence naming Linc-Florence Apts, LLC as the co-applicant. Linc Housing Corporation, a 501(c)(3) non-profit, is the Sole Member of the LLC, and Linc Housing will submit its own revised resolutions to HCD. The transfer would be effectuated through a grant deed and would require LAHD to process an assignment and assumption of the loan. The LLC will be re-evaluated for exemption from the ULA transfer tax as a qualified affordable housing organization.

6531 Sepulveda

The Council-approved resolution for 6531 Sepulveda named 6531 Sepulveda, LP as co-applicant. At this time, Council is asked to adopt a revised resolution for 6531 Sepulveda naming 6531 Sepulveda LLC as the co-applicant. American Family Housing (AFH), a 501(c)(3) non-profit, is the sole member and manager of the LLC, and AFH will submit its own revised resolutions to HCD. The transfer would be effectuated through a grant deed and would require LAHD to process an assignment and assumption of the loan. The LLC will be re-evaluated for exemption from the ULA transfer tax as a qualified affordable housing organization.

AMENDED LOAN DOCUMENTS AND UNIT COUNTS

2812 Temple / 916 Alvarado

The Temple/Alvarado project consists of two scattered sites. At the time of this project's application and Council approval, the total number of post-conversion units was 68, indicated as 42 units at the Temple site (18 studios and 24 one-bedroom units) and 26 at the Alvarado site (23 studios, two one-bedrooms, and one two-bedroom). At this time, Brilliant Corners has refined the scope of work at 916 Alvarado and determined that it will include conversion of three units in the building into a laundry room, case management office, and break room for staff. This is necessary because the commercial space on the ground floor is not large enough to accommodate both offices for the building staff and the code-required break room. The rehabilitation will result in a reduction of two studio units, for a total of 24 units at Alvarado (21 studios, two one-bedrooms, and one two-bedroom) and 66 between both sites.

This change has been conceptually approved by HCD and execution of an amended Standard Agreement between HCD, HACLA, LAHD, and Brilliant Corners is pending. Because Council's approval of this project included 68 units, Council authority is needed to reduce the units in the project to 66. If approved, a loan amendment reflecting the change will be executed by LAHD.

6531 Sepulveda

6531 Sepulveda is a former Extended Stay America hotel site. The application and Council approval for this project indicated 133 units at acquisition and 133 units in the proposed project, 87 allocated for those at risk of homelessness and 44 for the chronically homeless. However, the original application did not account for the need for office and community space, and other necessary building infrastructure. In its response to LAHD's

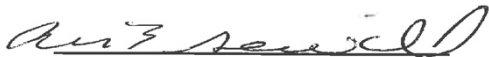
Homekey Round 2 RFP, American Family Housing (AFH), the selected Owner/Operator, proposed 124 units. At this time, AFH has further refined the scope of work and determined that adding space for necessary functions will require a reduction of 13 units, from 133 to 120, to add space for necessary functions. The final count will include 70 units serving the chronically homeless, 48 serving those at risk of homelessness, and two managers' units. 111 units will be studios and seven units will be one-bedrooms. The 13 rooms being removed will be either converted into program space (supportive service staff offices, property management staff offices, service provision areas, and a community room for activities); combined to create two two-bedroom managers' units; or used to create space for trash rooms, trash chutes, a laundry room, maintenance space, and a restroom. These changes result in a more efficient layout and a fully-appointed building that will better meet the long-term needs of tenants and staff.

This change has been conceptually approved by HCD and execution of an amended Standard Agreement between HCD, HACLA, LAHD, and AFH is pending. Because Council's approval of this project included 133 units, Council authority is needed to reduce the units in the project to 120. If approved, a loan amendment reflecting the change will be executed by LAHD.

FISCAL IMPACT

There is no General Fund impact beyond that previously authorized for Homekey.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENT:

Attachment 1

AUTHORIZING RESOLUTION

RESOLUTION NO. 2

1654 W Florence Ave. (the “Project”)

**RESOLUTION OF THE GOVERNING BODY OF THE CITY OF LOS ANGELES
AUTHORIZING EXECUTION OF AN AMENDED OR RESTATED STANDARD
AGREEMENT NAMING LINC-FLORENCE APTS, LLC AS CO-APPLICANT, FOR
FUNDS AWARDED TO 1654 W FLORENCE AVE. PURSUANT TO THE CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT’S
HOMEKEY PROGRAM**

WHEREAS:

- A. The Department of Housing and Community Development (“**Department**”) issued a Notice of Funding Availability, dated September 9, 2021 (“**NOFA**”), for the Homekey Program (“**Homekey**” or “**Program**”). The Department issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.).
- B. The Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (“**Standard Agreement**”), and all other legal requirements of the Program.
- C. Pursuant to the prior approval of the Los Angeles City Council (the “**Governing Body**”) as set forth in Resolution No. 2, Council File No. 21-0112 the City of Los Angeles applied for Homekey funds for the Project under the NOFA and, conditioned upon the Department’s selection of the Project for an award under the NOFA, was authorized and directed to enter into a Standard Agreement with the Department for the Project in a total amount not to exceed \$36,974,744, as well as all other documents required or deemed necessary or appropriate (and any amendments thereto) to secure the Homekey funds from the Department and to participate in the Program (collectively, the “**Homekey Documents**”).
- D. The Department selected the City of Los Angeles and the Housing Authority of the City of Los Angeles (“**HACLA**”), as Co-Applicants, for an award of \$36,974,744 of Homekey funding for the Project, and the City of Los Angeles and HACLA executed the Standard Agreement in order for the Project to secure the Homekey funds.
- E. After the Department’s selection of the Project for Homekey funding, Linc-Florence Apts, LLC, a California Limited Partnership (“**New Owner**”) was selected by the City of Los Angeles pursuant to a separate competitive Notice of Funding Availability to own and operate the Project, subject to New Owner’s agreement to enter into a modified Standard Agreement (the “**Amended or**

Restated Standard Agreement”) naming New Owner as a Co-Applicant for the Homekey funds.

- A. The Department has requested that the Governing Body now further resolve to (1) acknowledge the award of Homekey funds for the Project by the Department, and (2) acknowledge that the Amended or Restated Standard Agreement will be signed by the City of Los Angeles and by New Owner as Co-Applicants.

**THEREFORE, IT IS FURTHER RESOLVED BY
GOVERNING BODY THAT:**

1. The award of Homekey funds for the Project by the Department as described in Recital D above is hereby acknowledged.
2. The City of Los Angeles is authorized and directed to submit an updated Homekey application for the Project (the “**Application**”) to the Department naming the City, HACLA, and New Owner as Co-Applicants for the Homekey funds in a total amount not to exceed \$36,974,744.
3. The City of Los Angeles is authorized and directed to enter into, execute, and deliver an Amended or Restated Agreement for the Project, as Co-Applicant, in a total amount not to exceed \$36,974,744, as well as any and all other Homekey Documents.
4. The City of Los Angeles shall be subject to the terms and conditions specified in the Amended or Restated Standard Agreement, and the NOFA and Application will be incorporated in the Amended or Restated Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Amended or Restated Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Amended or Restated Standard Agreement.
5. New Owner shall sign the Amended or Restated Standard Agreement as a Co-Applicant with the City of Los Angeles, and New Owner’s execution of the Amended or Restated Standard Agreement shall be authorized pursuant to separate resolutions made by New Owner’s governing body.
6. Ann Sewill, General Manager, and Daniel Huynh, Assistant General Manager are authorized to execute the Amended or Restated Standard Agreement and any and all other Homekey Documents on behalf of the City of Los Angeles, as Co-Applicant, for participation in the Program.

PASSED AND ADOPTED this _____ day of _____, 2024, by the following vote
of the Los Angeles City Council:

AYES: ☐ NAYES: ☐ ABSTAIN: ☐ ABSENT: ☐

The undersigned, the City Council of the City of Los Angeles of Co-Applicant, does hereby attest and certify that the foregoing is a true and full copy of a resolution of the governing body of the City of Los Angeles, adopted at a duly-convened meeting on the date above-mentioned, and that the resolution has not been altered, amended, or repealed.

SIGNATURE: _____

DATE: _____

NAME: _____

TITLE: _____

AUTHORIZING RESOLUTION

RESOLUTION NO. 4

6531 S. SEPULVEDA BLVD. (the “Project”)

**RESOLUTION OF THE GOVERNING BODY OF THE CITY OF LOS ANGELES
AUTHORIZING EXECUTION OF AN AMENDED OR RESTATED STANDARD
AGREEMENT NAMING 6531 SEPULVEDA LLC, AS CO-APPLICANT, FOR FUNDS
AWARDED TO 6531 S. SEPULVEDA BLVD. PURSUANT TO THE CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT’S
HOMEKEY PROGRAM**

WHEREAS:

- A. The Department of Housing and Community Development (“**Department**”) issued a Notice of Funding Availability, dated September 9, 2021 (“**NOFA**”), for the Homekey Program (“**Homekey**” or “**Program**”). The Department issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.).
- B. The Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (“**Standard Agreement**”), and all other legal requirements of the Program.
- C. Pursuant to the prior approval of the Los Angeles City Council (the “**Governing Body**”) as set forth in Resolution No. 4, Council File No. **21-0112**, the City of Los Angeles applied for Homekey funds for the Project under the NOFA and, conditioned upon the Department’s selection of the Project for an award under the NOFA, was authorized and directed to enter into a Standard Agreement with the Department for the Project in a total amount not to exceed \$39,403,275.00, as well as all other documents required or deemed necessary or appropriate (and any amendments thereto) to secure the Homekey funds from the Department and to participate in the Program (collectively, the “**Homekey Documents**”).
- D. The Department selected the City of Los Angeles and the Housing Authority of the City of Los Angeles (“**HACLA**”), as Co-Applicants, for an award of \$39,403,275.00 of Homekey funding for the Project, and the City of Los Angeles and HACLA executed the Standard Agreement in order for the Project to secure the Homekey funds.
- E. After the Department’s selection of the Project for Homekey funding, 6531 Sepulveda LLC, a California Limited Partnership (“**New Owner**”) was selected by the City of Los Angeles pursuant to a separate competitive Notice of Funding Availability to own and operate the Project, subject to New Owner’s agreement to enter into a modified Standard Agreement (the “**Amended or**

Restated Standard Agreement”) naming New Owner as a Co-Applicant for the Homekey funds.

- F. The Department has requested that the Governing Body now further resolve to (1) acknowledge the award of Homekey funds for the Project by the Department, and (2) acknowledge that the Amended or Restated Standard Agreement will be signed by the City of Los Angeles and by New Owner as Co-Applicants.

THEREFORE, IT IS FURTHER RESOLVED BY GOVERNING BODY THAT:

1. The award of Homekey funds for the Project by the Department as described in Recital D above is hereby acknowledged.
2. The City of Los Angeles is authorized and directed to submit an updated Homekey application for the Project (the “**Application**”) to the Department naming the City, HACLA, and New Owner as Co-Applicants for the Homekey funds in a total amount not to exceed \$39,403,275.00
3. The City of Los Angeles is authorized and directed to enter into, execute, and deliver an Amended or Restated Agreement for the Project, as Co-Applicant, in a total amount not to exceed \$39,403,275.00, as well as any and all other Homekey Documents.
4. The City of Los Angeles shall be subject to the terms and conditions specified in the Amended or Restated Standard Agreement, and the NOFA and Application will be incorporated in the Amended or Restated Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Amended or Restated Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Amended or Restated Standard Agreement.
5. New Owner shall sign the Amended or Restated Standard Agreement as a Co-Applicant with the City of Los Angeles, and New Owner’s execution of the Amended or Restated Standard Agreement shall be authorized pursuant to separate resolutions made by New Owner’s governing body.
6. Ann Sewill, General Manager, and Daniel Huynh, Assistant General Manager are authorized to execute the Amended or Restated Standard Agreement and any and all other Homekey Documents on behalf of the City of Los Angeles, as Co-Applicant, for participation in the Program.

PASSED AND ADOPTED this _____ day of _____, 2024, by the following vote
of the Los Angeles City Council:

AYES: ☐ NAYES: ☐ ABSTAIN: ☐ ABSENT: ☐

The undersigned, the City Council of the City of Los Angeles of Co-Applicant, does hereby attest and certify that the foregoing is a true and full copy of a resolution of the governing body of the City of Los Angeles, adopted at a duly-convened meeting on the date above-mentioned, and that the resolution has not been altered, amended, or repealed.

SIGNATURE: _____

DATE: _____

NAME: _____

TITLE: _____