

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 26, 2024

CAO File No. 0220-00540-1698

Council File No. 23-0038-S4

Council District: 1, 14

To: The Mayor
The Council

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

Reference: Los Angeles Housing Department transmittal dated June 5, 2024; Received by the City Administrative Officer on June 24, 2024; Additional Information Received through June 25, 2024

Subject: **REQUEST FOR AUTHORITY TO PROVIDE GAP FINANCING FOR THE LA GUADALUPE AND INGRAHAM VILLA APARTMENTS, AFFORDABLE HOUSING PROJECTS**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Note and file the Los Angeles Housing Department (LAHD) transmittal, dated June 5, 2024, relative to gap financing for the La Guadalupe and Ingraham Villa Apartments projects;
2. Authorize the General Manager of the LAHD, or designee, to:
 - a. Negotiate and execute a revised loan agreement with the legal owners of the La Guadalupe project, which receives awards from the proposed leveraging sources, subject to the satisfaction of all conditions and criteria required by the funding sources, and the review and approval of the City Attorney as to form;
 - b. Negotiate and execute a new loan agreement with the legal owners of the Ingraham Villa Apartments project, which receives awards from the proposed leveraging sources, subject to the satisfaction of all conditions and criteria required by the funding sources, and the review and approval of the City Attorney as to form;
 - c. Execute subordination agreements of the City's financial commitment for the projects identified in paragraph (e) below, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally-funded construction and permanent loans, as required for the projects;

- d. Allow the transfer of the City's financial commitment for the projects identified in paragraph (e) below to a limited partnership, or other legal entity formed solely for the purpose of owning and operating the projects, in accordance with City and Federal requirements;
- e. Obligate and disburse funds in the amounts below:

Project	Fund	Account	Account Name	Amount
Ingraham Villa Apartments	64R – SB2	43W723	Rental – New Construction	\$ 3,500,000
La Guadalupe	561 – HOME	43W800	Affordable Housing Managed Pipeline	1,294,301.50
La Guadalupe	561 – HOME	43V800	Affordable Housing Managed Pipeline	1,593,457.50
			Total	\$6,387,759

- f. Prepare Controller instructions and any necessary technical corrections as necessary to the transactions included in this report to implement the Mayor and Council intent, subject to the approval of the City Administrative Officer.

SUMMARY

In its transmittal dated June 5, 2024, the Los Angeles Housing Department (LAHD) requests authority to provide additional financing for two permanent supportive housing projects, La Guadalupe and the Ingraham Villa Apartments, and to negotiate, amend, and execute financing documents for these projects. This Office recommends that the LAHD be authorized to obligate and disburse \$3,500,000 in HOME Investment Partnerships Program Fund (HOME) funds for the Ingraham Villa Apartments project and \$2,887,759 in SB2 Permanent Local Housing Allocation (SB2) Funds for the La Guadalupe project. This Office further recommends that the LAHD be authorized to negotiate and execute a revised loan agreement for Ingraham Villa Apartments, and to negotiate and execute a new loan agreement for La Guadalupe, to execute subordination agreements, and to transfer the City's financial commitment for the projects in accordance with City and Federal requirements.

Ingraham Villa Apartments is a 121-unit affordable housing development located at 1230 Ingraham Street in Council District 1. The project received its temporary certificate of occupancy on October 19, 2023 and will convert to permanent financing on August 1, 2024. In order to convert to permanent financing, the project needs an additional source of financing to pay \$3.5 million in construction debt. This financing gap was caused by rising construction loan interest, higher operating expenses, and a reduction in tax credit equity. The City has already invested \$12 million in this project through a Proposition HHH loan. With the commitment of HOME funds contemplated in this report, the City will have invested \$15.5 million in Ingraham Villa Apartments.

La Guadalupe is a 43-unit mixed use permanent supportive housing development currently under construction at 1800 E. 1st Street in Council District 14. The City has previously committed

\$8,982,843 in this project through HOME funds and a Proposition HHH loan. Delays and rising costs contributed to a \$12.97 million project cost increase, which the project developers attempted to cover through additional loans and deferred fees. A \$2,887,759 gap remains, which the LAHD proposes to close with SB2 funds. This would bring the City's total investment in this project to \$11,870,602.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The Affordable Housing Managed Pipeline commitments are funded by the HOME Investment Partnerships Program Fund and the SB2 Permanent Local Housing Allocation Fund.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that the loan agreements will be funded by special funds supported by dedicated funding sources and expenditures will be limited to the mandates of the funding sources.

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