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Council File: 23-0321
Council Districts: Citywide
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Honorable Members of the City Council
City of Los Angeles
c/o the City Clerk
200 North Spring Street
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COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REPORT ON THE STATUS OF THE COURT-APPOINTED RECEIVER OF THE SKID ROW HOUSING TRUST AND REQUEST FOR FUNDING THROUGH JUNE 30, 2024, TO SUPPORT THE OPERATION AND DISPOSITION EFFORTS FOR THE SKID ROW HOUSING TRUST PORTFOLIO

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully reports on the current status of the receivership of the Skid Row Housing Trust (SRHT) portfolio and requests several actions to ensure the ongoing operation of the SRHT properties through the anticipated conclusion of the receivership and pending disposition of the portfolio. As explained in detail below, LAHD requests authorization necessary to expend up to \$14.5 million to support the operation, necessary capital improvements, and work related to the disposition of the SRHT portfolio up to the end of the current fiscal year on June 30, 2024, and an additional \$500,000 to retain consultants necessary to develop and initiate a recapitalization and development strategy for the SRHT properties. This funding request also includes the funds necessary to pay the final amount owed to the former receiver, as determined pursuant to a Court-ordered final accounting. The report also provides additional information on the steps for efficiently concluding the current receivership, including the potential sale of the SRHT properties remaining in the receivership as of the first quarter of 2024, and ongoing management and operation of those properties should any SRHT properties be acquired by the City through the receiver sale.

It is anticipated that additional funding will be needed during Fiscal Year 2024-2025 (FY25) for the ongoing operation, maintenance, and disposition of properties within the SRHT portfolio. The amount of funding

necessary is dependent upon a number of factors, including how quickly the properties are able to exit from the receivership and be positioned for outside partners to take over their operations. As such, additional funding needed in FY25 will be requested through the City's regular budget process or through a separate report as necessary.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the Controller to transfer \$14,500,000 from the Reserve Fund No. 101, Department No. 62, through the General Fund No. 100, Unappropriated Balance Department No. 58, and appropriate therefrom to a new appropriation Account No. 43YC87-Skid Row Housing Trust Receivership Properties within the City of LA Affordable Housing Trust Fund No. 44G/43; and to deposit any repayments or remittances related to the super priority lien on Skid Row Housing Trust Properties in Account No. 43YC87 for repayment of loans disbursed;
 - B. AUTHORIZE the General Manager of LAHD, or designee, subject to review and approval of the City Attorney as to form, to negotiate and execute a receiver's certificate and related documents, including but not limited to a deed of trust and regulatory agreement, to lend up to \$14,500,000 to Receivership Specialists, a California corporation, the receiver in the matter of *City of Los Angeles v. Crest Apartments LP, et al.* Case No. 23STCP01011 pending in the Los Angeles County Superior Court ("Receivership") to pay the costs of the former receiver's tenure as ordered by the Court, and to support the current receiver's operation through March 2024 of the Properties located at the addresses below, collectively referred to as "the Skid Row Housing Trust Properties;"
 1. Flor 401 Lofts: 401 E. 7th Street, Los Angeles, California 90014;
 2. Senator Hotel Apartments: 729 S. Main Street, Los Angeles, CA 90014;
 3. San Pedro House Apartments: 647 S. San Pedro Street, Los Angeles, CA 90014;
 4. SP7 Apartments: 519 E. 7th Street, Los Angeles, California 90014;
 5. 649 Lofts: 649 Wall Street, Los Angeles, California, 90014;
 6. Olympian Hotel Apartments: 1201 E. 7th Street, Los Angeles, California 90021;
 7. Las Americas Hotel Apartments: 1205 E. 6th Street, Los Angeles California 90021;
 8. Abbey Apartments: 625 San Pedro Street, Los Angeles California, 90014;
 9. Charles Cobb Apartments: 521 San Pedro Street, Los Angeles, California 90013;
 10. Boyd Hotel: 224 E. Boyd Street, Los Angeles, California 90013;
 11. St. George Hotel: 115 E. 3rd Street, Los Angeles California 90013;
 12. Dewey Hotel: 721 S. Main Street, Los Angeles, California 90014;
 13. Edward Hotel: 713 E. 5th Street, Los Angeles California 90013;
 14. Hart Hotel: 508 E. 4th Street, Los Angeles California 90013;
 15. Lincoln Hotel: 549-551 Ceres Avenue, Los Angeles California 90021;

- 16. New Carver Apartments: 1624 S. Hope St. & 325 W. 17th St., Los Angeles California 90015;
- 17. Genesis Apartments: 452-458 S. Main Street, Los Angeles California 90013;
- 18. Produce Hotel Apartments: 676 S. Central Avenue, Los Angeles, California 90021;
- 19. Rainbow Apartments: 643 S. San Pedro Street, Los Angeles, California 90014;
- 20. Sanborn Hotel: 526 S. Main Street, Los Angeles, California 90013;
- 21. Crescent Hotel: 617 E. 5th Street, Los Angeles, California 90013; and
- 22. St. Mark's Hotel: 611 E. 5th Street, Los Angeles, California 90013.

- C. AUTHORIZE the Controller's office to establish a new account No. 43Y722 - Technical Contracts and appropriate \$500,000 from the cash balance within the Foreclosure Registry Program Fund No. 56V/43.
- D. AUTHORIZE the General Manager of LAHD, or designee, to increase the amount of contract C-144080 with Keyser Marston Associates, Inc., by \$500,000 to provide expert analysis and advice regarding the financial structuring of affordable and supportive housing projects and programs, support implementation of financial restructuring efforts, and provide additional services as needed consistent with the terms of the current contract, in the event the City acquires title to any of the properties;
- E. AUTHORIZE the General Manager of LAHD, or designee, to execute a contract for property and/or asset management with the Housing Authority of the City of Los Angeles, or other to-be-determined qualified entity, for up to a two-year term in an amount not to exceed \$14,500,000 in the event the City acquires title to any of these properties;
- F. AUTHORIZE the General Manager of LAHD, or designee, to fund the Housing Authority of the City of Los Angeles, or other to-be-determined qualified entity contract, with any undisbursed funds in Account No. 43YC87 within the Affordable Housing Trust Fund No. 44G for abatement work not completed by the time the receivership concludes, or for operating expenses for the remaining properties, in the event the City acquires title to any of the properties;
- G. AUTHORIZE the General Manager of LAHD, or designee, to prepare and issue a Request for Proposals to solicit qualified entities for the purchase and operation of the Skid Row Housing Trust Properties;
- H. AUTHORIZE the General Manager of LAHD, or designee, to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and instruct the Controller to implement the instructions.

BACKGROUND

In May 2023, at the request of the City Attorney, the Los Angeles County Superior Court appointed a receiver over the properties owned by Skid Row Housing Trust due to health and safety code concerns. The Court subsequently appointed a substitute receiver (the “Receiver”). The City Council and Mayor (C.F. 23-0321-S1) gave LAHD the authority to lend an initial \$10 million to the Receiver in June 2023, and an additional \$12 million in November 2023 to support critical building repairs and the operations of SRHT’s portfolio, and to pay the then-identified expenses of the former receiver. LAHD is returning to Council with a request to authorize additional funding to cover the final amount owed to the former receiver as determined pursuant to a Court-ordered final accounting and to identify necessary funds to cover the current Receiver’s operations for the first quarter of 2024. The report additionally provides further information regarding the potential acquisition of SRHT properties through a sale to be conducted by the Receiver in the first quarter of 2024, describes the operations, redevelopment, and disposition strategy for SRHT properties, as well as requests the necessary funds for such activities through the end of Fiscal Year 2023-2024 (FY24), in the event the City acquires title to any of the properties in such Receiver sale.

It is anticipated that additional funding will be needed during FY 2024-2025 (FY25) for the ongoing operation and disposition of properties within the SRHT portfolio. The amount of funding necessary is dependent upon a number of factors including how quickly the properties are able to exit from the Receivership and be positioned for outside partners to take over their operations. As such, additional funding needed in FY25 will be requested through the City’s regular budget process or through a separate report as necessary.

PROGRESS UPDATE ON THE STATUS OF RECEIVERSHIP SPECIALISTS WORK

Since replacing the former receiver, CRG, on June 30, 2023, Receivership Specialists has worked with relevant parties, vendors, and government agencies to stabilize the SRHT properties. To ensure the health and safety of tenants, all properties have 24-hour security provided by vendors, and weekday cleaning services. Daily inspections of the properties to verify security, cleanliness, and fire watch logs (where applicable) are being conducted. Daily inspection reports are provided to key vendors and City staff to ensure accountability. The Receiver is monitoring and evaluating vendor performance on an ongoing basis.

Upon appointment, the Receiver's first priority was to address the properties under fire watch in order to protect the safety of residents and to eliminate the substantial cost of maintaining fire watch protocols. The Receiver engaged Prime West Management solely to address fire watch issues and as a result, only 10 properties remain on fire watch out of the 29 properties that were on fire watch in June 2023. These 10 properties are Abbey Apartments, Dewey Hotel, Olympia Apartments, New Carver, Produce Hotel, St. George Hotel, SP7 Apartments, 649 Lofts, FLOR 401, and Boyd Hotel. The Receiver is working with vendors to upgrade the fire systems at Produce Hotel, St. George Hotel, SP7 Apartments, 649 Lofts, and Flor 401 in order to remove them from fire watch as well.

The Receiver has retained five general contractors to perform rehabilitation work to correct abatement and code issues on several projects. In November 2023, the Receiver engaged construction crews to commence work to repair four projects, including 649 Lofts, Abbey Apartments, Lincoln Hotel, and Produce Hotel, totaling 321 units. The Receiver is working with the Housing Authority of the City of Los Angeles (HACLA) to obtain rapid inspections and sign-offs for units that have been repaired. As of November 16, 2023, 227 code violations have been resolved out of the 916 violations that existed at the time of the Receiver's appointment, a resolution of 25 percent. For further detail, please see Attachment A - SRHT Portfolio Snapshot as of 11/16/23. It is important to note that the average cost per unit to date for this work is \$6,213.

To date, seven properties comprising 514 units have exited the Receivership because replacement general partners were secured: Crest Apartments, Weldon Hotel Apartments, Rossmore Hotel Apartments, New Pershing Apartments, Simone Hotel Apartments, The Six, and Star Apartments. As of the date of this report, 22 properties remain under Receivership, and all but 12 of those properties are expected to exit prior to the end of the Receivership.

STABILIZATION PLAN FOR REMAINING PROPERTIES

Step One: Receiver Sale, Conclusion of Receivership, and Ongoing Management of Properties

The Receivership is expected to continue into the first quarter of 2024, and therefore additional funding is needed to continue the work the Receiver is currently doing to stabilize, maintain, and operate the SRHT properties from January 2024 until the conclusion of the Receivership. As described in more detail below, LAHD estimates that the cost of operating, maintaining, and performing necessary abatement work along with property management functions will require an additional up to \$14.5 million from January through June 2024. LAHD requests authorization to lend an additional \$14.5 million to the Receiver. As described in more detail below, that amount would represent the total amount to be used for property and asset management services performed by the Receiver and any entity selected to perform such services after the conclusion of the Receivership. The funding would be dispersed on a periodic basis, and it is anticipated that the Receivership would conclude prior to the dispersal of the full amount, therefore, the remaining funding would be directed to a subsequent property and asset management entity.

In an effort to expedite the conclusion of the Receivership and begin an efficient disposition strategy for the SRHT properties, the Receiver intends to conduct a sale of properties remaining in the Receivership in the first quarter of 2024. The Receiver sale would be conducted pursuant to rules and bidder prequalification criteria designed to ensure that only entities qualified and financially positioned to successfully take on the ongoing operation and management of the properties would be approved to participate. The City would qualify to participate and could submit a bid for any SRHT properties at the Receiver sale in an amount that would not exceed the amount of the security interest the City already holds in the properties as reflected in the Receiver's Certificates. This is referred to as a "credit bid" and does not require the allocation or expenditure of additional funds beyond that which has already been committed by the City to the Receivership.

It is important to note that the properties anticipated to remain in the Receivership at the time of the sale are those properties for which no viable partners to date have been identified to take over operations and maintenance of the buildings. These projects are the oldest and most challenging, in many cases lacking individual bathrooms or kitchens in rooms, lacking air conditioning, and requiring accessibility improvements. These are troubled properties that, in their present physical and financial condition, require additional work to improve habitability issues and to create financially viable operations that could be then transferred to qualified supportive housing providers. Therefore, if no responsible and responsive bids are received by qualified operators in the sale, it is anticipated that the City would acquire ownership of any remaining properties pursuant to the credit bid. This would be necessary in order to ensure the ongoing health and safety of existing tenants and the preservation of a significant number of existing affordable housing units.

Because the Receiver sale enables the properties to be transferred to a new owner free and clear of all liens and encumbrances, this results in a more straightforward situation for an owner such as the City to stabilize the properties and create the opportunity for new partners to be identified to successfully operate and maintain them. Should the City acquire ownership of SRHT properties through the Receiver sale, the Receivership would then conclude, and the City would bring on a property and asset management partner to assist with the ongoing operations of the properties while the disposition plans for the properties are implemented.

To accomplish this, LAHD would enter into a property and asset management contract with HACLA, or a similarly qualified entity, to continue the operation and maintenance of the properties pending their disposition. The term of the contract would be for up to two years, beginning at the conclusion of the Receivership. HACLA would perform all necessary oversight including maintaining habitability, clearing any remaining code violations or abatements, performing regular property management functions, managing the property cash flows, and providing reporting and accounting functions.

LAHD is seeking authority to contract with HACLA for up to \$14.5 million, an amount that represents the total that would be allocated to the operation and maintenance of the properties from January to June 2024, and would be split between the Receiver during the period of time in 2024 that the Receivership remains in place and HACLA whenever the Receivership ends and HACLA begins its contract. Therefore, the operations, management, and necessary maintenance and repair work to be funded from January to June 2024 would total up to the requested \$14.5 million, whether that work is done by the Receiver or HACLA. In the event that LAHD is unable to reach an agreement with HACLA, LAHD also seeks authorization to instead enter into an agreement with a similarly qualified entity to perform the same services.

Step Two: Financial Restructuring of Properties to Facilitate Transfer

As Attachment B - SRHT Portfolio Cash Needs Analysis shows, the rental income on the 12 properties does not cover the reasonable expenses of any owner, even without the additional Receivership costs. The operating costs of affordable and supportive housing units like the units in the SRHT portfolio is paid for by rental subsidies, which for new projects are typically covered by project-based vouchers that provide a monthly amount of rent that more closely matches the monthly costs of operating a building. However, the rental subsidies on these properties are a mix of older types of Section 8 vouchers that have lower payment standards than currently available, and in many cases, that monthly payment is far below the actual monthly operating cost for a unit.

A necessary and immediate step in preparing these properties for transfer to new owners and in reducing the City's ongoing costs of maintaining these properties is to stabilize cash flow. The U.S. Department of Housing and Urban Development (HUD) has a Rental Assistance Demonstration (RAD) program that provides funding for preservation of existing properties that meet certain criteria. The properties in the SRHT portfolio that have existing Section 8 Moderate Rehabilitation SRO Program (MRS) contracts are eligible for this program, and could see an estimated 70 percent increase of the per unit subsidy. To qualify for a "RAD conversion," the units in the building need to meet HUD Housing Quality Standards and any short-term rehabilitation needs identified in a Capital Needs Assessment must be met.

LAHD requires the support of a consultant with expertise in financial analysis and restructuring, including the capacity to successfully apply for RAD Conversions with HUD. A RAD Conversion typically takes approximately five to six months to complete, therefore, it is important to commence the work with a qualified consultant as soon as possible. With HUD's approval of the RAD Conversions, the long-term financial viability of the eligible properties will be improved to the point that the properties will be better positioned to be transferred from the City to qualified supportive housing operators.

To retain a consultant with the necessary expertise and commence work expeditiously, LAHD requests the authority to increase the amount of the existing contract (Contract C-144080) with Keyser Marston Associates, Inc. (KMA) by \$500,000 to perform the financial analysis and recapitalization necessary to achieve financial viability for the eligible properties. This contract would be paid for by LAHD special funds that are eligible for such contracting work, and would not have an impact on the General Fund. KMA is locally based, and currently provides financial analysis and loan underwriting services to LAHD. This firm has experience with workouts and asset repositioning measured in hundreds of projects over decades. The scope of work is consistent with the existing contract, and will allow KMA to assist LAHD in successfully seeking RAD Conversions as well as provide recommendations for and support implementation of strategies necessary to achieve long-term financial stability.

Step Three: Request for Proposals and Final Property Disposition

Concurrently with Step Two, for any properties to which the City acquires title, LAHD expects to issue a Request for Proposals (RFP) in February 2024 to select new owners/operators. LAHD will establish a selection

process that will be based on the organization's experience of operating and developing permanent supportive housing and whether the organization possesses the financial capacity to successfully manage and direct the disposition. LAHD will negotiate terms with the selected candidates and draft comprehensive transaction term sheets. After selection of qualified developers, LAHD will return to the City Council for its approval of the recommendations. It is expected that the transfer price for each property or set of properties that are grouped together as a "batched project" to a new developer will be a Seller Note from the City in the amount of the funds expended by the City on the Receivership and improvement costs, up to the appraised value of the property or properties.

The actual transfer to qualified developers will occur concurrently with or shortly after the rents are increased through the RAD Conversion process. The disposition of these properties after completion of the RAD Conversion process will allow the new owners to hold the majority of the properties under financially viable circumstances for the period of time it takes for the developers to complete a standard process for seeking affordable housing capital financing.

When the properties are ready for resyndication and recapitalization, within one to seven years, the new owners will repay the short-term Seller Note to the City with the capital stack of housing funds as part of total development costs. That process typically involves the preparation of plans to apply for the City's Affordable Housing Managed Pipeline (AHMP) or funding that may become available from the implementation of the United to House LA (ULA) ballot measure, as well as to seek County and State funds and new Low Income Housing Tax Credits. This funding would be used to improve the properties, for example by fully updating and modernizing aging Single Room Occupancy units with studio apartments, as well as providing elevators, air conditioning, and new accessibility features. Because funding for the AHMP or for tax credits is limited per year, it will typically take up to seven years to process applications for all twelve projects.

Attachment C - the Initial Property Disposition Plan, shows that three of the newly batched projects, with a total of seven buildings and 412 units, do not operate at break-even with the RAD Conversions. The monthly gaps are much smaller, totaling only \$304,000 annually, but it still would be difficult to attract a responsible owner with an ongoing loss. Additional work with HACLA and the selected project sponsors and the County Continuum of Care will be needed to increase the availability of vouchers at an acceptable payment standard to close those gaps. If that is not possible by the end of 2024, different redevelopment scenarios may be considered and recommended to the Council and Mayor.

FUNDING REQUEST

LAHD requests a total of approximately \$15 million to support the SRHT portfolio through June 2024. Table 1 below provides a breakdown of total estimated funds needed to allow the Receivership to continue through March 2024, when it is anticipated to conclude; to fund operations of any remaining properties through June 2024; and to develop and begin implementation of a disposition and redevelopment strategy. Detailed

descriptions of each item are provided below, including information regarding the assumptions on which estimates are based.

Table 1: Estimate of Funds Needed through June 2024	
Item	Amount
Outstanding Amount Claimed by the Former Receiver*	\$4,250,000
Expenses & Operations Not Covered by Rents January-March 2024 (Receiver)	\$5,881,085
Capital Expenditures January-March 2024 (Receiver)	\$3,180,060
Expenses & Operations Not Covered by Rents April-June 2024 (Post-Receivership)	\$1,140,930
Consultant for Financial Restructuring of Eligible Properties	\$500,000
Total	\$14,952,075

**This amount is subject to final determination based on the results of a Court-ordered final accounting.*

Outstanding Amount Claimed by the Former Receiver

The City Attorney's Office in conjunction with LAHD received authority to enter into a stipulation and proposed order of Former Receiver's Final Accounting & Report should it choose to, subject to City Council funding approval. The Court had ordered the parties to meet and confer, however, after that meeting occurred, the current Receiver discovered new, outstanding vendor invoices that were not filed with the Court in the final accounting report, and CRG presented additional, new fee invoices for September and October. These new invoices may increase the previously assumed total. While the validity and reasonableness of those newly submitted invoices is currently under review and the full amount of the additional invoices may not be accepted, LAHD seeks funding in an amount that would cover up to the total of outstanding fees and expenses claimed so that necessary payment could be made if a stipulated agreement is reached, or as otherwise ordered by the Court. Therefore, this report requests authorization for up to a maximum of \$4.25 million to resolve the final accounting of CRG's tenure. This funding will be secured by a super priority lien against the properties.

Expenses & Operations Not Covered by Rents January-March 2024 (Receiver)

Receivership Specialists has estimated its expenses from January through March 2024 to be \$780,000, including Receivership fees, property management, clearance of abatement and violations, and vendor payments. In addition, the 22 projects currently in Receivership have monthly operating deficits totaling \$2 million that must be covered in order to keep those properties operating. The requested amount of approximately \$5.8 million in Expenses & Operations Not Covered by Rents for the Receiver from January-March 2024 includes the assumption that all 22 properties will remain in the Receivership through March 2024, and that the full amount of the operating deficit would be covered. However, by February 2024, LAHD expects all remaining properties with equity investors to exit the Receivership, thereby reducing the amount of the monthly operating deficit.

The monthly operating deficit for the 12 properties that are expected to remain in the Receivership until its conclusion is \$380,300 per month, which is significantly lower than the \$2 million per month used for the estimate of requested funding. Because it is uncertain at which point the properties will actually exit the Receivership prior to its conclusion, it is necessary to assume that the full operating deficit must be covered. However, the actual funding needs and dispersals will be adjusted downward as properties exit the Receivership in early 2024. See Attachment B - SRHT Portfolio Cash Needs Analysis.

Capital Expenditures January-March 2024 (Receiver)

In early 2024, the Receivership plans to make necessary capital improvements to four projects to remedy violations and address abatement issues: St Mark's Hotel, St. George Hotel, Hart Hotel, and Crescent Hotel. This work will help to financially stabilize the properties to facilitate their future transfer. These improvements include addressing LAHD Notice to Comply Repairs; HACLA Abated Unit Repairs; repairs in other units; roof repairs at St. Mark's Hotel; flooring repairs at St. Mark's and St. George; air conditioning and heating repairs; electrical repairs; and window repairs. The total cost for this work is estimated at \$3.18 million, including a 10 percent contingency, which is reasonable given the present condition of the buildings.

Expenses & Operations Not Covered by Rents April-June 2024 (Post- Receivership)

The operating deficit for the 12 properties that may be acquired by the City during the Receiver sale totals \$1.14 million for the period covered April to June 2024. This includes the monthly operating deficit, as noted above, and the amount to cover the property and asset management fees necessary to engage HACLA or other similarly qualified entity to provide property and asset management services. See Attachment B - SRHT Portfolio Cash Needs Analysis.

Consultant for Financial Restructuring of Eligible Properties

As explained above in the section discussing the second phase of actions required, LAHD is requesting authorization to use \$500,000 from the Department's special funds to engage a consultant with the necessary expertise to perform the financial analysis and recapitalization necessary to achieve financial viability for the eligible properties to facilitate the transfer of the properties to new, qualified owners.

AVAILABLE AND ELIGIBLE FUNDING SOURCES

LAHD manages a number of special funds that are used for a variety of affordable and supportive housing purposes. This past year has been extraordinary as far as the financial needs of affordable and supportive housing projects are concerned. There has been an unprecedented need for projects that are underway, that the City has invested in, and that are otherwise priorities for the City to receive support for unexpected costs, often related to the cost increases and construction delays that occurred as a result of the COVID-19 pandemic. The City stepped in to ensure that these funding gaps could be covered, including by creating

critical programs like the Fast Track program and by covering specific project requests for overruns and additional funds. That support, though critical, significantly impacted the availability of LAHD’s housing funds. In fact, LAHD will not be issuing a Notice of Funding Availability (NOFA) for the Affordable Housing Managed Pipeline for the remainder of FY24 due the lack of available funding. In addition to depleting nearly all available housing funding for the remainder of this fiscal year, LAHD has already committed \$22 million of CRA funding to support and stabilize the SRHT properties to date.

While LAHD recognizes the significance of requesting General Fund monies for purposes of further stabilizing and preserving the SRHT portfolio, there is minimal housing funding available that is either eligible or otherwise uncommitted. Table 2 lists the housing funding sources and provides detail regarding eligible uses and availability of funds. While there are balances in some of the sources, those sources are either limited in their eligible uses, such as HOPWA funding that can only be used for non-SRO units serving persons who are HIV positive, or the sources are in the process of being formally allocated through the Fast Track program to projects that have gone through an application and selection process to ensure that eligible projects receive necessary funding to complete development. The balance of the HOME and HHH sources fall into this latter category and are anticipated to be allocated through Fast Track to cover the projects selected as part of that program.

Table 2: Sources of Capital Funding for Housing Development & Preservation

Funding Source	Balance	Eligible Use(s)	Administered by	Considerations
HOME	\$23,375,212	Construction, Rehabilitation, Acquisition, Preservation, Refinancing, Related Soft Costs	HUD	Funds are proposed for Fast Track and AHMP, as well as projects in the underwriting process.
HOPWA	\$2,894,165	Acquisition; Rehabilitation; New Construction, Operations; Rental Assistance & Short-Term Payments	HUD	Available for non-SRO units supporting HIV-positive tenants.
SB2 New Construction	\$0	Predevelopment, Development, Acquisition, Rehabilitation, Preservation, Operating Subsidies	HCD	Used in this FY for the Affordable Housing Managed Pipeline. The next allocation of funds, \$20 million, will be available in April 2024.
SB2 Preservation	\$0	Preservation	HCD	Used in this FY for other preservation projects. The next allocation of funds, \$9 million, will be available in April 2024.
Linkage Fee	\$5,373,758	New Construction, Preservation	LAHD	Nexus Study and Ordinance creating fund tied to housing needs of low income working households, rather than people

				experiencing homelessness..
HHH	\$14,468,449	New Construction, Rehabilitation	LAHD	Can be used for acquisition and rehab costs; targeted for additional cost overrun needs of HHH projects in construction.
CRA	\$0	New construction, rehabilitation.	LAHD	Total fund balance of \$22,000,000 has already been appropriated by the Council to the Skid Row Housing Trust portfolio.

Given the limitations on the eligible uses for and/or the lack of availability of funds as described above, LAHD requests the use of the General Fund for this request. As explained earlier in this report, it is expected that the City will recover the General Fund monies requested through the use of other funding sources in the future.

RECOMMENDED ACTIONS

For the reasons set forth herein, LAHD recommends that City Council approve the authorities as requested above.

FISCAL IMPACT

Taking the recommended actions will result in an impact to the General Fund of \$14,500,000.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENTS:

- Attachment A - SRHT Portfolio Snapshot as of 11/16/23
- Attachment B - SRHT Portfolio Cash Needs Analysis
- Attachment C - Initial Property Disposition Plan for Trust-Only Properties

SRHT PORTFOLIO SNAPSHOT AS OF 11/16/23

	Property Name	Address	Sponsor / Ownership	Units	Occup	Vacant	Occup %	HACLA Units Abated as of 6/30/23	HACLA Violations Cleared to Date (Units)	LAHD Violations as of 6/30/23	LAHD Violations Cleared To Date	Repairs In Progress	Contractor	Fire Watch In/Out Date	Comments
1	Flor 401 Lofts	401 E. 7th St.	NEF	99	73	26	73.7%					Yes		IN	
2	Senator Hotel Apartments	729 S. Main St.	NEF	98	67	31	68.4%	27	27	84	59	Yes	JJC Construction		
3	SP7 Apartments	519 E 7th St.	NEF	81	63	18	77.8%					Yes		IN	
4	San Pedro House	647 San Pedro St.	NEF	19	17	2	89.5%					Yes		IN	
SUBTOTAL				297	220	77	74.1%	27	27.00	84.00	59.00				
5	Abbey Apartments	625 S. San Pedro St.	Enterprise	115	102	13	88.7%	19	-	20	15		ALL FIX Construction	IN	Bid in progress.
6	Charles Cobb Apartments	521 S. San Pedro St.	Enterprise	76	62	14	81.6%	19	18	2	2	Completed	Prime West/Beytin	IN	
7	New Genesis Apartments	452- 458 S. Main St.	PHINDA LLC	106	81	25	76.4%	17		88	81		ALL FIX Construction		Received bid.
SUBTOTAL				297	245	52	82.5%	55	18.00	110	98				
8	649 Lofts	649 Wall St.	US Bank	55	36	19	65.5%	3	-	13	-	Yes	Property Builders	IN	Received bid.
9	Las Americas Hotel	1205 E. 6th St.	US Bank	60	25	35	41.7%	10	-	16	6		Property Builders	IN	Received bid.
10	Olympia	1201 E 7th St.	US Bank	46	21	25	45.7%	5	-	10	8		Property Builders	IN	Received bid.
SUBTOTAL				161	82	79	50.9%	18	-	39	14.00				
11	Boyd Hotel	224 Boyd St.	SRHT	61	53	8	86.9%	21	21	5	5	Completed	RCI Construction	OUT	Construction work is complete.
12	St. George Hotel	115 E. 3rd St.	SRHT	87	43	44	49.4%	15	2	28	5		JJC Construction	IN	Received bid.
13	Dewey Hotel	721 S Main St.	SRHT	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	IN	Decommissioned
14	Edward Hotel	713 E. 5th St.	SRHT	47	14	33	29.8%	N/A	N/A	11	11	Completed except roof	JJC Construction	IN	Construction work is complete.
15	Hart Hotel	508 E. 4th St.	SRHT	41	29	12	70.7%	19	-	13	2		Property Builders	OUT	Received bid.
16	Lincoln Hotel	549-551 Ceres St.	SRHT	41	36	5	87.8%	13	3	13	-	Yes	Ultimate Window & Door		Repairs in progress.
17	New Carver Apartments	1624 S. Hope St.	SRHT	97	70	27	72.2%	0	N/A	8	8	Yes	Property Builders	IN	Construction work is complete.
18	Produce Hotel Apartments	676 S. Central Ave.	SRHT	110	80	30	72.7%	10	9	14	4	Yes	RCI Construction	IN	Repairs in progress.
19	Rainbow Apartments	643 S. San Pedro St.	SRHT	89	70	19	78.7%	22	-	200	-		JJC Construction	IN	Bid in progress.
20	Sanborn Hotel	526 S. Main St.	SRHT	46	29	17	63.0%	16	-	87	17		RCI Construction		Received bid.
21	Crescent Hotel	617 E. 5th St.	SRHT	56	44	12	78.6%	10	-	15	3		RCI Construction		Bid not started.
22	St. Mark's Hotel	611 E. 5th St.	SRHT	91	70	21	76.9%	38	-	62	1		RCI Construction		Received bid.
SUBTOTAL				766	538	228	70.2%	164	35	456	56				
TOTAL				1,521	1,085	436	71.3%	264	80	689	227				

* NEF Properties transferred out: Crest Apartments, Weldon, Rossmore, New Pershing Apartments, Smone Hotel, The Six, Star Apartments

* HACLA Units Abated includes NEW units that have become abated during HACLA annual inspections

[illegible]

Attachment C: Initial Property Disposition Plan for SRHT Properties								
	Project No. 1 Crescent Hotel St. Mark's Hotel	Project No. 2 Sanborn Hotel Edward Hotel	Project No. 3 Hart Hotel Boyd Hotel	Project No. 4 Dewey Hotel	Project No. 5 Produce Hotel	Project No. 6 Rainbow Apts Lincoln Hotel St. George Hotel	Project No. 7 New Carver Apts	TOTAL
Existing Unit Count	147	93	102	43	110	217	97	809
- SRO	147	93	102		97	87		
- Studio				43	13	130	97	
New Unit Count	121	88	93	45	195	217	97	856
- SRO						87		
- Studio	121	88	93	45	195	130	97	
Existing Rental Subsidies								
- S8 PBV							92	
- SRO ModRehab (RAD-eligible)	89		36	42	95	40		
- CoC Vouchers	27	41	52			146		
- Unsubsidized	28	50	12		13	27	3	
Net Operating Income (NOI) 2024								
Monthly NOI, 1/24	(75,520)	(44,356)	(49,965)	-	(48,155)	(70,970)	(7,345)	
Projected RAD Conversion Date	12/1/2024	8/1/2024	12/1/2024		8/1/2024	8/1/2024	NA	
Monthly NOI Post RAD	12,584	(648)	(11,024)		43,824	(13,660)	5,462	
Projected Transfer to New Owner Date	2/1/2025	10/1/2024	2/1/2025		10/1/2024	10/1/2024	10/1/2024	
Annual rent revenue	1,322,734	717,324	931,416		1,003,010	1,968,655	1,152,702	
Vacancy	(376,872)	(192,109)	(268,053)		(262,447)	(539,762)	(320,195)	
Annual operating expenses	(1,764,000)	(837,000)	(1,224,000)	-	(990,000)	(1,953,000)	(873,000)	
Holding Entity Asset Management Fee	(168,000)	(126,000)	(168,000)	(84,000)	(63,000)	(189,000)	(63,000)	
Operating shortfall during City holding period, 2024	(986,138)	(437,785)	(728,637)	(84,000)	(312,437)	(713,107)	(103,493)	
Operating shortfall during City holding period, 2025			(22,048)					
City Investments								
2024 Operating Shortfalls	986,138	437,785	728,637	84,000	187,592	713,107	103,493	3,240,752
2025 Operating Shortfalls			22,048					22,048
Share of Receiver Fees, 1/24 - 3/24	70,909	70,909	70,909	35,455	35,455	106,364	35,455	425,455
Est. Abatement / Repair Cost by Receiver	1,243,926		950,000			986,131		3,180,057
Critical Need Repairs for RAD Conversion		150,000			200,000	150,000		500,000
Capitalized Operating Reserves at Transfer	441,000	279,000	306,000		330,000	651,000	291,000	2,298,000
Total City Investments 2024 and 2025								9,666,312
Total 2024-2025 Investment Per Unit								\$11,948
Estimated Future Refinancing / Redevelopment Plan for Projects								
Project Description as Redeveloped	PSH, studios, NC, one building	PSH, studios, NC, 2 buildings	PSH, studios, NC, 2 buildings	Affordable, studios, NC, one building	Affordable & PSH studios in new building (131 du); PLUS, conversion of existing SROs to PSH studios (51 du + 13 lofts)	PSH studios (130 du) & PSH SROs (87 du), renovate, 3 buildings	PSH, studios, minor renovate, one building	Notes
Probable Financing Structure	LAHD, PAB-4% & State credits; LACDA & HCD	LAHD, PAB-4% & State credits; LACDA & HCD	LAHD, PAB-4% & State credits; LACDA & HCD	LAHD, 9% & State credits; HCD	LAHD, PAB-4% & State credits; LACDA & HCD	LAHD, PAB-4% & State credits	HCD Portfolio Reinvestment Program	Total Development Cost to Include Repayment of City Investment as Purchase Price
Potential Timing	1/10/2027	1/10/2028	1/10/2029	1/10/2030	1/10/2031	7/1/2025	7/1/2025	