

TRANSMITTAL

To: **THE COUNCIL**

Date: **06/20/24**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read 'Carolyn Webb de Macias', is centered on the page.

(Carolyn Webb de Macias for)

KAREN BASS

Mayor

Ann Sewill, General Manager
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

City of Los Angeles



LOS ANGELES HOUSING DEPARTMENT
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Los Angeles, CA 90026
Tel: 213.808.8808

housing.lacity.org

Karen Bass, Mayor

May 28, 2024

Council File: 22-0876
Council Districts: Citywide
Contact Persons: Elizabeth Selby: 213-256-2336
Hannah Levien: 213-458-6068

Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY TO RELEASE FUNDS FOR OUNE HOUSE, AN AFFORDABLE HOUSING MANAGED PIPELINE PROJECT, APPLYING FOR TAX CREDITS IN THE JULY 2024 ROUND OF CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE 9% TAX CREDITS

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, LAHD requests the authority to issue a funding commitment letter to Oune House, a project previously admitted into the Affordable Housing Managed Pipeline (C.F. No. 22-0876), to apply for 9% Low Income Housing Tax Credits (LIHTC).

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE, the General Manager of LAHD, or designee, to issue a funding recommendation letter for Oune House, as identified in Table 1 of this report, subject to the following conditions:
 - i. The final funding commitment will not exceed the amount listed;
 - ii. The project sponsor must apply to the California Tax Credit Allocation Committee (CTCAC) in the next available Low Income Housing Tax Credit allocation round; and,

- iii. The disbursement of LAHD funds will occur only after the sponsor obtains enforceable commitments for all proposed funding.
- 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 the loan agreement and supporting documents with the legal owner of one project identified in Table 1, which receives awards from the proposed leveraging sources, subject to the satisfaction of all conditions and criteria contained in the LAHD Pipeline application, this transmittal, and the LAHD Award Letter (if applicable);
- C. AUTHORIZE the General Manager of LAHD, or designee, to execute subordination agreements of the City's financial commitment, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally funded construction and permanent loans, as required for one project identified in Table 1;
- 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 solely for the purpose of owning and operating the project in accordance with City and Federal requirements for one project identified in Table 1;
- E. AUTHORIZE the General Manager of LAHD, or designee, to prepare the 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; and,
- F. AUTHORIZE the General Manager of LAHD, or designee, to:
 - i. OBLIGATE and DISBURSE funds for the project listed below:

TABLE 1 – Funding Recommendation				
Project Name	Fund Source	Fund #	Account	Amount
Oune House	SB2	64R	43W723	\$2,713,959
Oune House	HOME	561	43Y800	\$4,342,041
			Total:	\$7,056,000

BACKGROUND

The City's Affordable Housing Managed Pipeline (AHMP) was established by the Mayor and City Council in June 2013 (C.F. No. 13-0824). The Mayor and City Council authorized LAHD to issue a Notice of Funding Availability (NOFA) to enable an open competition of new projects selected for the LAHD AHMP on an ongoing basis. In the same year, California Tax Credit Allocation Committee established a new geographic apportionment of 9% Low Income Housing Tax Credits for projects located within the City's boundaries. LAHD recognized the opportunity to set forth clear recommendations for local LIHTC priorities and established the selection process for management of the 9% LIHTC in the CTCAC's City of Los Angeles Geographic set-aside.

2022 Notice of Funding Availability

The Department recommended to admit Oune House to the 2022 Affordable Housing Managed Pipeline. The project plans to apply for Low Income Housing Tax Credits and requires an LAHD funding commitment letter in order to do so. This project will provide an additional 56 units of supportive housing to the City's portfolio. See Attachment A which includes a detailed staff report for Oune House.

AHMP Funding

The AHMP currently consists of multiple funding sources, including the federal HOME Investment Partnership Program funds and California Department of Housing and Community Development (HCD) Permanent Local Housing Allocation (SB 2). LAHD is recommending to fund the Oune House project for an amount not to exceed \$7,056,000.

Oune House Support Letter & Tax Credit Application Timing

Typically, the Department releases a transmittal requesting authority to release commitment letters and obligate funds for multiple AHMP admitted projects at once. This transmittal for this project alone because the majority of projects awarded funds during the 2022 AHMP NOFA has already applied for tax credits. Oune House is one of three 2022 AHMP admitted projects that have yet to apply for state tax credits and therefore needs a funding commitment letter from LAHD.

FISCAL IMPACT

There is no impact on the General Fund. The recommendations in this transmittal will authorize LAHD to issue a letter of support for Oune House, a project already admitted into the AHMP pipeline; and to allocate federal HOME and state SB2 funds to Oune House.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENT:

Attachment A: Oune House Staff Report

STAFF REPORT

May 13, 2024

**Oune House
541 San Julian Street
Los Angeles, CA 90013
New Construction
Council District 14**

PROJECT DESCRIPTION

Oune House is a new-construction, 57-unit supportive housing development for individuals experiencing homelessness and chronic homelessness. The project will designate 40 supportive housing units for individuals experiencing homelessness that are at or below 30% of Area Median Income (AMI), and 16 supportive housing units for individuals experiencing chronic homelessness that are at or below 30% of AMI. The project will include one unrestricted manager's unit. Oune House is located on two parcels, which are currently improved as a parking lot, totaling approximately 0.22 acres at 541 San Julian Street.

The structure will consist of one seven-story building over subterranean parking. The common amenities located in the first and second floors include one large community room with full kitchen, laundry room, bike storage for 48 bikes, SRO Housing maintenance facility room, 12 case manager offices and two staff lounges, and a landscaped courtyard and a landscaped roof-top deck area. The 56 supportive housing studio units will be approximately 400 square feet, include a kitchen and private bathroom, and will be fully furnished with a full bed, nightstand, dresser, dining table with two chairs, refrigerator, and microwave.

All 56 supportive housing units will be subsidized by Project Based Section 8 Vouchers from the Housing Authority of the City of Los Angeles. SRO Housing Corporation will be the on-site lead services provider for all units.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The Borrower is Oune House, LP, a California limited partnership, comprised of SRO Commercial LLC as Managing General Partner (MGP). A to be determined Investor Limited Partner will be admitted into the partnership prior to construction loan closing. The MGP's sole member and manager is SRO Housing Corporation, a California 501(c)(3) non-profit corporation.

The long-term ownership structure will consist of the following:

SRO Commercial LLC, as Managing General Partner (0.01%)

TBD, as Investor Limited Partner (99.99%)

PROJECT FINANCE SUMMARY

The borrower has secured an LAHD Affordable Housing Managed Pipeline (AHMP) loan in the amount of \$7,056,000. The borrower will secure an allocation of 9% Low Income Housing Tax Credits that will generate approximately \$22,497,750 in tax credit equity and a construction loan in the amount of

\$22,447,593. The construction loan will convert to a \$3,889,000 permanent loan when the project is completed and operating.

CONSTRUCTION FUNDING SOURCES

Construction	Total Sources	Per Unit	% Total
Construction Loan	\$22,447,593	\$393,817	67%
LAHD AHMP Loan	\$7,056,000	\$123,790	21%
Costs Deferred until Conversion	\$1,689,382	\$29,638	5%
Tax Credit Equity	\$2,249,775	\$39,470	7%
Total	\$33,442,750	\$586,715	100%

PERMANENT FUNDING SOURCES

Permanent	Total Sources	Per Unit	% Total
Permanent Loan	\$3,889,000	\$68,228	12%
LAHD AHMP Loan	\$7,056,000	\$123,790	21%
Tax Credit Equity	\$22,497,750	\$394,697	67%
Total	\$33,442,750	\$586,715	100%

USES OF FUNDS

Uses of Funds	Total Uses	Cost/Unit	% Total
Acquisition Costs	\$3,298,750	\$57,873	10%
Construction Costs	\$20,717,231	\$363,460	62%
Soft Costs	\$3,978,407	\$69,797	12%
Financing Costs	\$3,248,362	\$56,989	10%
Developer Fee	\$2,200,000	\$38,596	6%
Total	\$33,442,750	\$586,715	100%

AFFORDABILITY STRUCTURE

Unit Type	30% AMI Units	Manager Unit	Total Units	LAHD Units
Studio	56	1	57	57
Total	56	1	57	57

FUNDING RECOMMENDATION

The recommended AHMP loan in the amount of \$7,056,000 represents \$123,790 per LAHD restricted unit, or approximately 21% of the total development cost.

CONSTRUCTION TIMELINE

Construction is currently estimated to start in March 2025 and anticipated to be completed by November 2026.

Prepared by: Los Angeles Housing Department