

## MOTION

I MOVE that in the matter of STATUTORY EXEMPTION and COMMUNICATION FROM THE CITY ADMINISTRATIVE OFFICER relative to the fourth funding report for Covid-19 Homelessness Roadmap Projects, Item 42 on today's Council agenda (C.F. 20-0841) BE AMENDED to add the following recommendations in accordance with the attached terms and conditions:

14. Rescind prior Council Action of July 29, 2020 relative to the ground lease of 5215 and 5260 South Figueroa Street to SoLa Impact (C.F. 20-0883), as the developer can no longer carry out the development.
15. Pursuant to Charter Section 371, the Council finds that due to the immediate need to comply with the Agreement with the County of Los Angeles to house homeless individuals whose health is at risk both from COVID-19 and living near freeway overpasses, underpasses, and ramps, and the inability of a prior competitive bidding process concerning 5215 South Figueroa to select a qualified respondent, the public interest or necessity requires a long term ground lease for property located at 5215 and 5260 South Figueroa Street to RMG Housing, LLC without advertisement for bids for the purpose of constructing Permanent Supportive Housing for the homeless.
16. Direct the City Administrative Officer, with the assistance of the Chief Legislative Analyst, Housing and Community Investment Department, City Attorney, and any other relevant departments, to prepare and execute all necessary documents to effectuate the development of Permanent Supportive Housing on 5215 South Figueroa, including but not limited to the Term Sheet, Disposition and Development Agreement, Covenant, and Ground Lease.
17. Direct the City Administrative Officer, with the assistance of the Chief Legislative Analyst, Housing and Community Investment Department, City Attorney, and any other relevant departments to prepare the key terms and other necessary documents to effectuate the development of Permanent Supportive Housing on 5260 South Figueroa, including but not limited to the Term Sheet, Disposition and Development Agreement, Covenant, and Ground Lease, and submit these documents for Council consideration.

PRESENTED BY: \_\_\_\_\_  
CURREN D. PRICE, Jr.  
Councilmember, 9<sup>th</sup> District

SECONDED BY: \_\_\_\_\_  
MITCH O'FARRELL  
Councilmember, 13th District

December 9, 2020

## Attachment

According to the 2020 Homeless Point in Time Count, over 41,000 individuals are experiencing homelessness in the City of Los Angeles. The City owns two vacant parcels at 5215 and 5260 South Figueroa Street totalling over 46,300 square feet. In 2019, the City Administrative Officer (CAO) released a Request for Bids (RFB) specifically for the 5215 South Figueroa parcel to identify private development teams able to design and build structures made from shipping containers or similar factory-built structures that can be quickly delivered to and assembled on site to provide shelter for the homeless. This RFB process resulted in no qualified respondents.

The City and County recently announced an agreement for the City to provide 6,700 beds for homeless individuals living near freeway overpasses, underpasses, and ramps. Under the agreement, the City is required to build 5,300 new beds by April 16, 2021. On July 29, 2020, Council approved a long term ground lease of the properties at 5215 and 5260 South Figueroa Street to SoLa Impact through a sole source finding to permit the construction of a 160 unit Permanent Supportive Housing (PSH) project. SoLa Impact was unable to identify financing for the project. In order to continue the development of this much needed PSH, it is necessary for the Council to identify a new developer.

RMG Housing, LLC (RMG) is a Southern California based developer of PSH. RMG partners with religious entities to help untap their land potential by building efficient, cost effective projects, while also helping to solve the homeless crises of Los Angeles. RMG will self-finance the project; they will not require the City to contribute any funds of any kind for project construction. Based on their experience, RMG is best suited to develop PSH units at the properties in a timely manner. RMG will partner with an experienced supportive services provider to provide full time services to the formerly homeless tenants. The scope of the developments are as follows:

5215 South Figueroa – A permanent supportive housing project that will consist of 40 studio units in one four-story building. Thirty-nine studio units will serve chronically homeless individuals and one unit will house an on-site resident manager. The units will be rent restricted to households earning up to 80% of the Los Angeles County area median income (AMI). The Project gross building area will be 25,423 square feet, with 10,320 square feet accounting for the net living area, averaging 258 square feet per unit. The Project will include an office for the manager and social services, a laundry room, bike storage and open space. The Project will also include 1,635 square feet of landscaped common open space at the ground level. There will be two parking spaces at grade for supportive services, and 35 bicycle parking spaces provided onsite. The studio units are designed by CRATE Modular and prefabricated from recycled shipping containers. Each unit will be fully furnished and provide a full private bathroom, kitchen and balcony. All units will be ADA-ready or adaptable.

5260 South Figueroa – A permanent supportive housing project that will consist of approximately 120 units. One unit will house an on-site resident manager. The project will include a landscaped common area, offices for supportive services, mail, and laundry facilities.

The City will execute a 55 year ground lease with four 11 year extensions for 5215 and 5260 South Figueroa at the rate of \$1/year. City Charter Section 371 permits the Council to find that a project meets an exception from competitive bidding if the contracted improvements are of urgent necessity for the preservation of life, health or property. In light of the pressing need to house the homeless under the approaching City-County agreement deadline, time is of the essence to construct Permanent Supportive Housing (PSH) units. The Council should find that public interest and necessity requires the City to negotiate a long term ground lease with RMG Housing, LLC to bring approximately 160 units of PSH to the community in an expeditious manner.

**5215 South Figueroa Street  
Disposition and Development Agreement  
Key Terms and Conditions**

**1. Parties to the Agreement:**

The Disposition and Development Agreement (“DDA”) for the 5215 S. Figueroa project shall be entered by and between the City of Los Angeles, a municipal corporation (“City”), and RMG LAC 5215 Figueroa, LP, a California limited partnership, which is an affiliate of RMG Housing, a California limited liability company, as “Developer.”

**2. City Site Description:**

Land currently owned by the City:

	Address	APN	Parcel Size (sf)	Legal Description
City Parcel 1	5215 South Figueroa Street	5001-029-900	6,750	Attachment A
City Parcel	5219 South Figueroa Street	500500190201901	6,753	Attachment A
<b>Total Site</b>			<b>13,503</b>	

**3. City Site History:**

The Community Redevelopment Agency of the City of Los Angeles (CRA/LA) acquired the parcels at 5215 (and 5260) South Figueroa Street in 2008 for the Homeownership Opportunity Sites Program, which was created to increase homeownership opportunities for low and moderate income residents in the CD9 Corridor South Project Area. In June 2013, CRA/LA transferred the properties to the Los Angeles Housing and Community Investment Department (HCIDLA).

The Total Acquisition Cost for the two Sites was \$4,705,039.44. Per CRA/LA’s accounting records, the approved funding came from the following sources, including:

Disbursement Date	Funding Source	Funding Amount
4/21/2008	C9 Housing Trust	\$2,608,714.97
4/21/2008	Program Income (Land Acquisition Fund)	\$2,100,424.47
<b>TOTAL</b>		<b>\$4,705,039.44</b>

**4. Development Plan Summary:**

The Development Plan shall be implemented and completed as described below, subject to receipt by the Developer of approval by the City of all discretionary land use applications; and the receipt by Developer of the necessary enforceable financing commitments:

**a. Project Summary:**

A permanent supportive housing project that will consist of 40 studio units in one four-story building (“Project”). Thirty-nine studio units will serve chronically homeless individuals and one unit will house an on-site resident manager. The units will be rent restricted to households earning up to 80% of the Los Angeles County area median income (AMI). The Project gross building area will be 25,423 square feet, with 10,320 square feet accounting for the net living area, averaging 258 square feet per unit. The Project will include an office for the manager and social services, a laundry room, bike storage and open space. The Project will also include 1,635 square feet of landscaped common open space at the ground level, not including strip planters at the modular and building perimeter. There will be two parking spaces at grade for supportive services, and 35 bicycle parking spaces provided onsite. The studio units, are designed by CRATE Modular and prefabricated from recycled shipping containers. Each unit will be fully furnished and provide a full private bathroom, kitchen and balcony. All units will be ADA-ready or adaptable.

**b. Project Site Size:**

The gross site area is estimated at 13,504 square feet of land area, according to the land survey (Attachment B).

**c. Gross Building Area:**

The Project gross building area (GBA) is 25,423 square feet (12,720 square feet of gross residential unit area, 2,655 square feet of common open space (up to the building wall/open to the sky), 1,106 square feet of community-serving space (supportive office (including restroom), laundry and bicycle rooms), 4,897 square feet of circulation, 230 square feet of utility service space (electrical room and elevator/mechanical room), and 3,815 square feet of balcony, stairs and elevator space).

**d. Unit Mix:**

The project will have 40 studio units. There will be one unit for the on-site resident manager

**e. Parking:**

The project will have two parking spaces, one of which will be an ADA stall (van size with access aisle).

**f. Target Population:**

Formerly homeless individuals with tenant-based vouchers through the Coordinated Entry System. Per the PSH Ordinance, the target population is persons with qualifying lower incomes who: (i) have one or more disabilities, including mental illness, HIV or AIDS, substance abuse, or other chronic health condition, and are homeless as defined by any City of Los Angeles, County of Los Angeles, State of California, or Federal guidelines; or (ii) are chronically homeless, as defined by any City of Los Angeles, County of Los Angeles, State of California, or Federal guidelines.

**g. ADA Requirements:**

A certified access specialist (CASP) will be retained for the Project, and a CASp certificate of inspection will be issued prior to COO. For COO issuance, the Project shall meet all LADBS' Disabled Access Services requirements, and at least 11% of the units will comply with the Uniform Federal Accessibility Standards ("UFAS") requirements for mobility accessibility, 2% of the units will comply with UFAS requirements for visual accessibility, and 2% of all units will comply with UFAS requirements for hearing accessibility.

**h. Amenities:**

The project provides 637 square feet of community-serving space that will be used for supportive service offices, and laundry facilities. The project also includes a 1,635 square foot outdoor landscaped recreational area, and a 429 square foot bicycle storage area.

**5. Lease of the City Site:**

The City agrees to ground lease to Lessee and Lessee agrees to ground lease from City, the lease hold interest in the Site in accordance with the DDA. The Ground Lease will have a 99-year term. (55-year initial term and four 11-year terms, up to a maximum total lease term of 99 years.)

**6. Lease Payment for City Site:**

The City agrees to ground lease the Site to Lessee and Lessee agrees to ground lease the Site for the following below Fair Market Value rent based on a Reuse Value Appraisal to be conducted prior to the execution of the Ground Lease:

- a. A 99-year Ground Lease term consisting of a 55-year initial term (Initial Term), followed by four additional extension options of 11 years each.
- b. During the Initial Term, HCIDLA will charge an annual rent of \$1, with the option for the lessee to prepay the rent for the full Initial Term at closing. The Ground Lease Rent will be reappraised and adjusted at the time of each extension, in compliance with State Law requirements for long term leases.
- c. There will be no annual residual ground lease rent charged.

- d. City Ground Lease will not be subordinated to the construction and permanent debt lenders of the Project.
- e. If the affordability restrictions are no longer in place, then the Project will pay a market rate ground lease rent based on a fair market rent appraisal at the time the affordability restrictions expire or are removed.

**7. Remediation:**

A Phase I Environmental Site Assessment has been completed for the 5215 Site and there were no evidence or indications of environmental concerns in connection with the site.

**8. Developer Pro Forma:**

Attached ("Attachment C") is the current Developer Pro Forma for the Project. The Developer is not seeking any financing from the City other than a below market rate ground lease.

**9. Project Site Plan:**

Attached ("Attachment D") is the current Site Plan for the Project.

**10. Labor Rates:**

The Project will incur state prevailing wages on all work that is performed on site.

**11. Developer Fee:**

The total developer fee is estimated at \$626,000 (consisting of a \$417,000 Development Fee, \$109,000 Construction Management Fee, and \$100,000 Acquisition Fee), which is approximately 11.5% of the hard costs.

**12. Social Services to be Provided at Project:**

The Project's operating budget includes \$216,000 in annual social services for the specific population in the Project, which would entail two (2) on-site case workers. The supportive services for the special needs will be provided by the Los Angeles County Department of Health Services through an Intensive Case Management contract with a South Los Angeles-based supportive service provider to be selected by Developer, either HOPICS or Homeless Healthcare Los Angeles. The services that will be made available to residents will include the following:

- Case management
- Adult education classes
- Health and wellness services
- Crisis management
- Mediation
- Social activities
- Financial enrichment classes

**13. Minimum Reserves:**

- a. Capitalized Operating Reserves - \$50,000
- b. Capitalized Transition Reserves - \$0
- c. Annual Replacement Reserves - \$300 per unit

**14. Subordination:**

The following summarizes the agreed upon subordination assumption for the City's affordability restrictions and loan:

Description	
City Ground Lease	Unsubordinated
City Ground Lease Affordability Restrictions	Unsubordinated
City PSH Ordinance Regulatory Agreement	Unsubordinated

**15. Affordability Restrictions:**

With one unit set-aside for an on-site management, unit's income and affordability requirements will be restricted by the following for 55-years, from Certificate of Occupancy (COO), regulatory agreements as follows:

**a. City Land Regulatory Agreement (per California Health & Safety Code):**

	<b>Income Restriction</b>	<b>Rent Restrictions</b>	<b>Total Units</b>
Moderate Income HCD	Schedule VI		39
<b>Total Units</b>			<b>39</b>

**b. City Permanent Supportive Housing Ordinance:**

	<b>Income Restriction</b>	<b>Rent Restriction</b>	<b>Total Units</b>
Low Income HCD (80%)	Schedule I		39
<b>Total Units</b>			<b>39</b>

**16. Financing Plan:**

The following summarizes the approved Financing Plan for the Project:

<b>Description</b>	<b>Entity</b>	<b>Amount</b>
Construction Equity	SDS SHF, LP	\$7,111,000
Construction Equity	MNLR Holdings, LLC	\$110,000
Construction Equity	GLZ Holdings, LLC	\$110,000
Permanent Loan	Private Bank	\$4,460,000
Equity – Permanent	SDS, MNLR, GLZ	\$2,871,000

**17. Milestones:**

<b>Action</b>	<b>Date</b>
Key Terms and Conditions Executed	
DDA Executed	December 2020
Entitlements Application Submittal / Secured	January 2021
Financing / Land Closing	January 2021
Construction Commences / Completed	January 2021/June 2021
Project Stabilization	June 2021

(Signatures on next page)

**18. Agreement of Key Terms and Conditions:**

This agreement of key terms and conditions is not a contract. It is a worksheet that will be utilized to prepare the DDA and associated City contractual documents.

HCIDLA

City of Los Angeles Housing and Community Investment Department

By: \_\_\_\_\_ Date: \_\_\_\_\_

Ann Sewill  
General Manager

DEVELOPER

By: \_\_\_\_\_ Date: \_\_\_\_\_

Tim Roth  
Member

DEVELOPER

By: \_\_\_\_\_ Date: \_\_\_\_\_

Mo Zahrawi  
Member

Attachment A	Parcel Legal Description
Attachment B	Land Survey
Attachment C	Developer Pro Forma
Attachment D	Site Plan
Attachment E	Development Timeline

