

TRANSMITTAL

To: **THE COUNCIL**

Date: **04/20/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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March 16, 2020

Council File: NEW
Council District: 1, 14
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY TO AMEND TWELVE LOAN AGREEMENTS WITH SINGLE ROOM OCCUPANCY HOUSING CORPORATION, AND OTHER RELATED ACTIONS

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval, and requests authority to amend the loan agreements for twelve former Community Redevelopment Agency of City of Los Angeles (CRA/LA) affordable housing developments owned and managed by Single Room Occupancy Housing Corporation, or SRO (the Borrower). HCIDLA inherited the twelve loans as the successor agency of the CRA/LA and the loans now require amendments in order to preserve the properties and their long-term affordability.

Amendments will extend the loan and covenant terms, and align loan requirements with current HCIDLA Council-approved Affordable Housing Managed Pipeline Regulations (HCIDLA Regulations). In most cases, the loan and covenant term extensions are for 30 years. However, if projects obtain leveraged financing that requires an earlier loan and/or covenant maturity date, HCIDLA will extend the loan and/or the covenant terms for the lesser period, with the intention that the terms will be extended for a longer period after the leveraged financing is in place.

RECOMMENDATIONS

I. That the Mayor review this transmittal and forward to City Council for further action;

- II. That the City Council, subject to the approval of the Mayor:
- A. AUTHORIZE the HCIDLA General Manager, or designee, to negotiate and execute amended loan agreements with SRO, subject to the review and approval by the City Attorney as to form, to amend the loans as follows:
 - i. Extend the term of the agreements in accordance with Table 1 of this report;
 - ii. Modify loan definitions to include Supportive Services Amount and Supportive Services Reserve Fund for all projects listed on Table 1 of this report, with the exception of the Russ Hotel;
 - iii. Modify the Residual Receipts distribution as 50% to the Borrower and 50% pro-rata share among public lenders, for all projects listed on Table 1 of this report, with the exception of the Golden West Hotel, the Harold Hotel, the Regal Hotel, Renato Apartments, and the Rosslyn Hotel;
 - iv. Modify Replacement Reserve and Operating Reserve amounts to be consistent with current HCIDLA Pipeline Regulations for the Carlton Hotel and Russ Hotel;
 - v. Modify Replacement Reserve, Operating Reserve, and Transition Reserve amounts and related party/third party fee to current HCIDLA Pipeline Regulations for the Renato Apartments;
 - vi. Exclude Commercial Revenue from the definition of “Revenue”, and exclude Commercial Expenses from the definition of “Operating Expenses” for the Rosslyn Hotel;
 - B. AUTHORIZE the HCIDLA General Manager, or designee, to negotiate and execute amended affordability covenants to extend the terms in accordance with Table 2 of this report; and,
 - C. AUTHORIZE the General Manager of HCIDLA, or designee, to implement the attached Replacement Housing Plan submitted by the Borrower to replace 43 affordable housing units in the Ingraham Apartments.

BACKGROUND

SRO Housing Corporation is a nonprofit organization that has been providing affordable housing and social services since 1984. For over 35 years, SRO housed low-income individuals, homeless persons and homeless veterans by developing emergency housing, transitional housing beds, affordable housing units, and permanent supportive housing sites. SRO also provides a variety of social services to their tenants, including case management, recreational activities, transportation services, life skills workshops, health and physical education classes, clinical support, community outreach, and support and recovery groups. Its mission is to revitalize the community by providing clean, safe, and affordable housing, managing public spaces, and providing supportive services.

Table 1, below, indicates the proposed term extensions to the twelve SRO loans:

TABLE 1: PROPOSED TERM EXTENSIONS FOR PROJECT LOAN AGREEMENTS				
Property Name	Address	Loan Maturity Date	Proposed Extension Term	New Loan Maturity Date
Angelus Inn	518 S. San Julian Street	11/18/2031	30 years	11/18/2061
Carlton Hotel	534 South Wall Street	10/1/2032	30 years	10/1/2062
Courtland Hotel	520 South Wall Street	4/14/2025	30 years	4/14/2055
Golden West Hotel	415 East 5 th Street	12/3/2015	30 years	12/3/2045
Harold Hotel	323 East 5 th Street	1/1/2050	NONE	NO CHANGES
Leonide Apartments	512 South Main Street	4/21/2022	30 years	4/21/2052
Prentice Apartments	1012 East 7 th Street	11/17/2030	20 years	11/17/2050
Regal Hotel	815 East 6 th Street	12/3/2015	30 years	12/3/2045
Renato Apartments	531 S. San Julian Street	9/30/2065	NONE	NO CHANGES
Rosslyn Hotel	112 West 5 th Street	1/22/2068	NONE	NO CHANGES
Russ Hotel	517-523 S. San Julian Street	12/27/2033	30 years	12/27/2063
Ward Hotel	512 South Wall Street	N/A	N/A	7/15/2047

Table 2, below, indicates the proposed extensions for affordability covenants related to the twelve loans:

TABLE 2: PROPOSED TERM EXTENSIONS FOR PROJECT COVENANTS				
Property Name	Address	Covenant Expiration Date	Proposed Extension Term	New Covenant Expiration Date
Angelus Inn	518 S. San Julian Street	1/ 25/2035	26 years	11/18/2061
Carlton Hotel	534 South Wall Street	10/1/2032	30 years	10/1/2062
Courtland Hotel	520 South Wall Street	4/14/2035	20 years	4/14/2055
Golden West Hotel	415 East 5 th Street	12/3/2015	30 years	12/3/2045
Harold Hotel	323 East 5 th Street	12/3/2015	35 years	1/1/2050
Leonide Apartments	512 South Main Street	5/29/2022	30 years	4/21/2052
Prentice Apartments	1012 East 7 th Street	6/30/2020	30 years	11/17/2050
Regal Hotel	815 East 6 th Street	6/2/2016	30 years	12/3/2045
Renato Apartments	531 S. San Julian Street	11/10/2063	NONE	NO CHANGES
Rosslyn Hotel	112 West 5 th Street	5/25/2067	NONE	NO CHANGES
Russ Hotel	517-523 S. San Julian Street	9/1/2029	34 years	12/27/2063
Ward Hotel	512 South Wall Street	7/15/2017	30 years	7/15/2047

Angelus Inn

The Angelus Inn is a 31-unit single room occupancy supportive housing development located at 518 South San Julian Street, Los Angeles, CA 90013. The project serves very low-income persons earning less than 50% of Area Median Income (AMI). Beginning in 1985, and with subsequent amendments, the former CRA/LA provided a \$1,463,950 rehabilitation loan for the project.

HCIDLA is requesting authority to extend the term of the loan agreement of the Angelus Inn by 30 years from the original maturity date of November 18, 2031, to November 18, 2061. The affordability covenant term will also be extended by approximately 26 years from the original maturity date of January 25, 2035, to November 18, 2061. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability, as well as improve the physical and financial health of the project. HCIDLA further requests to modify the project's Residual Receipts distribution split as 50% to the Borrower and 50% pro-rata share among public lenders; and requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services

Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Carlton Hotel

Carlton Hotel is a 45-unit single room occupancy permanent supportive housing development located at 534 South Wall Street, Los Angeles, CA 90013. The project serves very low-income persons earning less than 50% AMI. Beginning in 1989, and with subsequent amendments, the former CRA/LA provided a \$907,407.98 acquisition and rehabilitation loan for the project.

HCIDLA is requesting authority to extend the term of the loan agreement of the Carlton Hotel by 30 years from the original maturity date of October 1, 2032, to October 1, 2062. The affordability covenant term will also be extended by 30 years from the original maturity date of October 1, 2032, to October 1, 2062. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability as well as improve the physical and financial health of the project. HCIDLA further requests to modify the project's Residual Receipts distribution split as 50% to the Borrower and 50% pro-rata share among public lenders; to modify the annual Reserves deposit requirements to \$300 per unit for Replacement Reserves and \$200 per unit for Operating Reserves, which aligns with current HCIDLA policies; and requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Courtland Hotel

The Courtland Hotel is a 97-unit single room occupancy permanent supportive housing development located at 520 South Wall Street, Los Angeles, CA 90013. The project serves very low-income persons earning less than 50% AMI. Beginning in 1989, and with subsequent amendments, the former CRA/LA provided a \$2,493,009.10 acquisition and rehabilitation loan for the project. The property is also encumbered by a State of California deferred loan that is in first lien position.

HCIDLA is requesting authority to extend the term of the loan agreement of the Courtland Hotel by 30 years from the original maturity date of April 14, 2025, to April 14, 2055. The affordability covenant term will also be extended by 20 years from the original maturity date of April 14, 2035, to April 14, 2055. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability, as well as improve the physical and financial health of the project. HCIDLA further requests to modify the project's Residual Receipts distribution split as 50% to the Borrower and 50% pro-rata share among public lenders; and requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Golden West Hotel

The Golden West Hotel is a 62-unit single room occupancy permanent supportive housing development located at 415 East 5th Street, Los Angeles, CA, 90013. The project serves very low-income persons

earning less than 50% of the AMI. Beginning in 1986, the former CRA/LA provided several loans to the project for acquisition and rehabilitation, which were subsequently consolidated and restated in 2008 into a \$1,695,316.66 Residual Receipts loan. This property is also encumbered by two State of California deferred loans that are in first and second lien positions.

HCIDLA is requesting authority to extend the term of the loan agreement of the Golden West Hotel by 30 years from the original maturity date of December 3, 2015, to December 3, 2045, thereby curing the technical default of the project's loan and allowing the project to seek additional funding and complete financial restructuring. The property requires improvements to ensure long-term physical and financial viability through preservation or rehabilitation efforts. The term of the affordability covenant will also be extended by 30 years, with a new maturity date of December 3, 2045. HCIDLA further requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. This would enable SRO to devote greater resources to high acuity tenants. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Harold Hotel

The Harold Hotel is a 58-unit single room occupancy permanent supportive housing development located at 323 East 5th Street, Los Angeles, CA 90013. The project serves very low-income persons earning less than 50% AMI. Beginning in 1985, the former CRA/LA provided acquisition and rehabilitation loans for the project, which were subsequently restructured in 2008 into a \$1,211,978 Residual Receipts loan. This property is also encumbered by a State of California deferred loan in first lien position.

HCIDLA is requesting authority to extend the term of the affordability covenant of the Harold Hotel by 35 years from the original maturity date of December 3, 2015, to January 1, 2050. The new maturity date of the covenant is coterminous with the maturity date of the loan agreement. By extending the term of the covenant, the City will be able to protect the long-term affordability of the project. HCIDLA further requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposits into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Leonide Apartments

The Leonide Apartments is a 67-unit single room occupancy permanent supportive housing development located at 512 South Main Street, Los Angeles, CA 90013. The project serves very low-income persons earning less than 50% AMI. In 1989, the former CRA/LA provided a \$1,747,307.60 acquisition and rehabilitation loan for the project. The property is also encumbered by a State of California deferred loan in first lien position.

HCIDLA is requesting authority to extend the term of the loan agreement of the Leonide Apartments by 30 years from the original maturity date of April 21, 2022, to April 21, 2052. The covenant term will also be extended by approximately 30 years from the original maturity date of May 29, 2022, to April 21, 2052. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to improve the physical and financial health of the project as well as to ensure long-term affordability. HCIDLA further requests to modify the project's Residual Receipts distribution

split as 50% to the Borrower and 50% pro-rata share among public lenders; and requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Prentice Apartments

The Prentice Apartments is a 47-unit single room occupancy permanent supportive housing development located at 1012 East 7th Street, Los Angeles, CA 90021. The project serves very low-income persons earning less than 50% AMI. Beginning in 1989, and with subsequent amendments, the former CRA/LA provided a \$1,434,644 acquisition and rehabilitation loan for the project. The property is also encumbered by a State of California deferred loan that is in first lien position.

HCIDLA is requesting authority to extend the term of the loan agreement of the Prentice Apartments by approximately 20 years from the original maturity date of November 17, 2030, to November 17, 2050. The affordability covenant term will also be extended by approximately 30 years from the original maturity date of June 30, 2020, to November 17, 2050. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability, as well as improve the physical and financial health of the project. HCIDLA further requests to modify the project's Residual Receipts distribution split as 50% to the Borrower and 50% pro-rata share among public lenders; and requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Regal Hotel

The Regal Hotel is a 70-unit single room occupancy permanent supportive housing development located at 815 East 6th Street, Los Angeles, CA 90013. The project serves low-income persons earning less than 80% AMI. Of the 70 units, 20 units are reserved for persons with special needs. Beginning in 1986, the former CRA/LA provided several loans to the project for acquisition and rehabilitation, which were subsequently consolidated and restructured in 2008 into a \$1,971,801.66 Residual Receipts loan. This property is also encumbered by a State of California deferred loan that is in first lien position.

HCIDLA is requesting authority to extend the term of the loan agreement of the Regal Hotel by 30 years from the original maturity date of December 3, 2015, to December 3, 2045, thereby curing the technical default of the project's loan and allowing the project to seek additional funding and complete financial restructuring. The property requires improvements to ensure long-term physical and financial viability through preservation or rehabilitation efforts. The term of the affordability covenant will also be extended by approximately 30 years from the original maturity date of June 2, 2016, with a new maturity date of December 3, 2045. HCIDLA further requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Renato Apartments

The Renato Apartments is a 96-unit single room occupancy permanent supportive housing development located at 531 South San Julian Street, Los Angeles, CA 90013. The project serves very, very low- to very low-income, chronically homeless persons with mental illness earning less than 50% AMI. Beginning in 1986, and with subsequent amendments, the former CRA/LA provided a \$2,136,573.49 acquisition and rehabilitation loan for the project. The property is also encumbered by a HCIDLA residual receipts loan in second lien position and a Housing Authority of Los Angeles County (HACOLA) loan that is in first lien position.

HCIDLA is requesting authority to amend the loan agreement to modify the annual Reserves deposit requirements to \$300 per unit for Replacement Reserve, \$200 per unit for Operating Reserve, and \$200 per unit for Transition Reserve. The loan agreement will also be modified to increase allowable related party/third party fees to fifteen thousand dollars (\$15,000) annually. HCIDLA further requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Rosslyn Hotel

The Rosslyn Hotel is a 264-unit single room occupancy permanent supportive housing development located 112 West 5th Street, Los Angeles, CA 90013. The project serves homeless veterans, the chronically homeless with mental illnesses, and very-very low to very low-income persons with incomes of 30-55% AMI. In 2013, the former CRA/LA provided a \$5,347,671 acquisition loan for the project. The property is also encumbered by a HCIDLA residual receipts loan in second lien position.

HCIDLA is requesting authority to amend the loan agreement to exclude commercial revenue and expenses from the calculation of residual receipts. The property has onsite commercial retail space that is expected to generate commercial revenue for the project which would contribute to the building's maintenance and operations.

Russ Hotel

The Russ Hotel is a 291-unit single room occupancy affordable emergency shelter housing facility located at 517-523 South San Julian Street, Los Angeles, CA 90013. The property consists of two buildings, the Russ Hotel (205 units) and the Russ Hotel Annex which also is called the Marshall House (86 units). SRO, the owner of the Russ Hotel, removed 46 residential units to provide additional sanitary facilities, a manager's apartment, an assistant manager's apartment, office space, community lounge, meeting rooms, storage space, kitchen, bathroom, laundry room, and dining room.

The project serves very low-income persons earning less than 50% AMI. Beginning in 1986, and with subsequent amendments, the former CRA/LA provided a \$5,318,759.47 acquisition and rehabilitation loan for the project.

HCIDLA is requesting authority to extend the term of the loan agreement of the Russ Hotel by 30 years from the original maturity date of December 27, 2033, to December 27, 2063. The affordability covenant

term will also be extended by approximately 34 years from the original maturity date of September 1, 2029, to December 27, 2063. By extending the loan and covenant terms, the project can complete financial restructuring and rehabilitation necessary to ensure long-term affordability, as well as improve the physical and financial health of the project. HCIDLA further requests to modify the project's Residual Receipts distribution split as 50% to the Borrower and 50% pro-rata share among public lenders; and to modify annual Reserves deposit requirements to \$300 per unit for Replacement Reserves and \$200 per unit for Operating Reserves. All of the above loan modifications align with current HCIDLA policies.

Ward Hotel

The Ward Hotel is a 72-unit single room occupancy permanent supportive housing development located at 512 South Wall Street, Los Angeles, CA 90013. The project serves low-income persons earning less than 80% AMI. Beginning in 1987, and with subsequent amendments, the former CRA/LA provided a \$1,119,023 acquisition and rehabilitation loan for the project. The property is also encumbered by two State of California deferred loans that are in first and second lien positions.

HCIDLA is requesting authority to extend the term of the affordability covenant of the Ward Hotel by 30 years from the original maturity date of July 15, 2017, to July 15, 2047. By extending the term of the covenant, the City will be able to protect the long-term affordability of the project. HCIDLA further requests to modify the Residual Receipts distribution as 50% to the Borrower and 50% pro-rata share among public lenders, and also imposing a 30-year term on the loan agreement with a maturity date of July 15, 2047, to be coterminous with the maturity date of the covenant. HCIDLA further requests the project be allowed to deduct Supportive Services expenses for supportive services coordination and case management and deposit the Supportive Services amounts into a Supportive Services Reserve Fund from Cash Flow prior to the residual receipts calculation. The Supportive Services Annual Limit would be calculated at the limits allowable in the Council-approved Affordable Housing Managed Pipeline Program Regulations.

Ingraham Apartments Replacement Housing Plan

California Redevelopment Law requires the replacement of existing units. Over the years, the above properties have been modified to meet the needs of the tenants. The attached Replacement Housing Plan ("Plan") has been prepared by the Borrower to satisfy the requirements for the replacement of housing pursuant to California Redevelopment Law, as a result of the elimination of 43 affordable housing units at the properties listed in the Plan. HCIDLA has approved the Plan (Attachment A) to replace the 43 eliminated affordable housing units. Included among the units to be replaced are the following:

- Courtland Hotel: Of the 97 units, two units are currently being used as a manager's unit and assistant manager's unit. The proposed replacement plan will allow for two lost residential units to be replaced.
- Golden West Hotel: Of the 62 units, four units were converted to provide on-site case management and supportive services to all residents. The proposed replacement plan will allow for the four lost residential units to be replaced.
- Harold Hotel: Of the 58 units, one unit is currently being used as a manager's unit for a non-income qualifying employee of SRO Housing. The proposed replacement plan will allow for one lost residential unit to be replaced.

- Leonide Apartments: Of the 64 units, one unit is currently being used as a manager's unit for a non-income qualifying employee of SRO Housing. The proposed replacement plan will allow for one lost residential unit to be replaced.
- Regal Hotel: Of the 70 units, one unit is currently being used as a manager's unit for a non-income qualifying employee of SRO Housing. The proposed replacement plan will allow for one lost residential unit to be replaced.
- Rosslyn Hotel: Of the 264 units, one unit is currently being used as a manager's unit for a non-income qualifying employee of SRO Housing. The proposed replacement plan will allow for one lost residential unit to be replaced.
- Russ Hotel: Of the 291 units, 32 units were converted to provide on-site case management and supportive services to all residents. The proposed replacement plan will allow for 32 lost residential units to be replaced.
- Ward Hotel: Of the 72 units, one unit is currently being used as a manager's unit for a non-income qualifying employee of SRO Housing. The proposed replacement plan will allow for one lost residential unit to be replaced.

HCIDLA recommends implementing SRO's proposal to use the Ingraham Apartments Project for the replacement units. The Plan identifies the location, timetable and proposed financing for future units that will serve as replacement units.

The Ingraham Apartments is located in Council District 1, at 1218-1232 Ingraham Street, Los Angeles, CA 90017. The property is a vacant lot currently being used as a parking lot. SRO proposes to develop and construct a new, six-story, multi-family affordable supportive housing project. The proposed project, totaling 121 units, will consist of 120 studio apartments and a single one-bedroom apartment for the on-site manager. Ninety units will be reserved for chronically homeless people at AMI levels of 30% or below, with 45 of those units set aside for homeless and chronically homeless veterans, along with 45 units for homeless and chronically homeless persons with severe mental illnesses. The remaining 30 units will be reserved for low income individuals at the 60% or below AMI level.

Each new studio apartment, approximately 400 square feet, will be fully furnished with a bed, dresser, nightstand, table and chair, and include a private kitchen, bathroom, and air conditioning. Units will comply with federal and state accessibility requirements, and will also have full access to data and communications through the installed wiring and infrastructure. The project will feature indoor and outdoor recreation and lounge spaces as well as a community kitchen, computer room and laundry.

FISCAL IMPACT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to amend the terms of the loans previously funded by the former CRA/LA.

Prepared By:



RAED ELARAJ
Finance Development Officer I

Reviewed By:



MICHAEL DE SIMONE
FDOII

Reviewed By:



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Reviewed By:



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LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENT:

SRO Replacement Housing Plan

SINGLE ROOM OCCUPANCY HOUSING CORPORATION

REPLACEMENT HOUSING PLAN

City Center and Central Industrial Redevelopment Project Areas

This Replacement Housing Plan describes the following:

- a) The proposed Project;
- b) The general location of the very-low, lower and moderate-income dwelling units which will or may be removed or destroyed as a result of the Project;
- c) The general location and intentions for the development of the replacement housing units;
- d) The means proposed for financing such development;
- e) An anticipated schedule for the construction of the replacement housing;
- f) The period for which the replacement units will remain affordable; and,
- g) The non-applicability of California Constitution Article XXXIV.

Section **33413.5** of California Community Redevelopment Law (Health and Safety Code Section 33000 et. seq.) requires a redevelopment agency to adopt a 'Replacement Housing Plan' (the 'Plan') whenever the agency executes an agreement for acquisition of real property, *or* an agreement for the disposition and development of real property; *either* of which will lead to the clearance, or removal of dwelling units from the low- and moderate-income housing market within the community.

The Plan should identify the impacts that a particular project will have on the community's supply of low and moderate income housing and detail the measures that the agency will take to ensure that appropriate replacement housing is produced within four (4) years of the loss of said units from the municipality's real estate market. Agencies have two (2) options for pursuing replacement housing either pursuant to Section **33413(a)** or, Section **33413(f)** of the California Redevelopment Law.

Section **33413(a)** of the California Redevelopment Law requires that whenever dwelling units housing persons or families of low or moderate income are destroyed or removed from the low- and moderate-income housing market as part of a redevelopment project the agency shall rehabilitate, develop, or construct or *cause to be* rehabilitated, developed, or constructed, for rental or sale to persons and families of low to moderate income, *an equal number* of replacement dwelling *units* at affordable housing cost within the Redevelopment Project Area *or* within the territorial jurisdiction of the agency.

Inasmuch as the units are being removed post-January 01, 2002, one hundred percent (100%) of the replacement dwelling units shall be available at affordable housing cost *to*, and *occupied by* persons in either the *same* or a *lower* income category (i.e., 'Very Low', 'Lower' and 'Moderate') as the persons *displaced* from those units destroyed, or otherwise removed (e.g., a conversion from rental, to condominium ownership, for example).

Section **33413(a)** notwithstanding, Section **33413(f)** states that an agency may replace dwelling units destroyed, or otherwise removed from the municipality's inventory with a *fewer* number of replacement dwelling *units* *if* the replacement units meet *both* of the following criteria:

1. the total number of *bedrooms* in the replacement dwelling units *equals* or *exceeds* the number of *bedrooms* in the destroyed or removed units;
and,
2. the replacement units are *affordable* to the *same* income category of the *households* which occupied the *destroyed* or *removed* units.

The units must be within the agency's "jurisdiction", in standard condition and designed to remain affordable to very low, lower and moderate income households, respectively, for a *minimum* of the longest feasible time, as determined by the agency, *but for no less than* the period of land use controls established in the applicable Redevelopment Plan, *unless a longer* time period is applicable pursuant to California Health & Safety Code Section **33413(c)**.

I. Background

This **Replacement Housing Plan** (the “Plan”) has been prepared by SRO Housing Corporation to satisfy the requirements for replacement housing contemplated pursuant to California Redevelopment Law as a result of the prospective elimination of residential property at the following sites:

- Russ Hotel (32 units)
- Golden West Hotel (4 units)
- Harold Hotel (1 unit)
- Leonide Apartments (1 unit)
- Regal Hotel (1 unit)
- Courtland Hotel (2 units)
- Ward Hotel (1 unit)
- Rosslyn Hotel (1 unit)

TOTAL NUMBER OF REPLACEMENT UNITS = 43 UNITS

Russ Hotel: Russ Hotel is located at 521 San Julian Street, LA, CA, 90013. The Russ Hotel consists of 291 units that serves as a homeless shelter for homeless individuals at 50% or below AMI. Of the 291 units, 32 units were converted to provide on-site case management and supportive services to all residents in the Russ Hotel.

Golden West Hotel Golden West Hotel is located at 417 E. 5th Street, LA, CA, 90013. The Golden West Hotel consists of 62 units that serves formerly homeless individuals at 50% or below AMI. Of the 62 units, 4 units were converted to provide on-site case management and supportive services to all residents in the Golden West Hotel.

Harold Hotel: Harold Hotel is located at 323 East 5th Street, Los Angeles, CA 90013. The Harold Hotel consists of 58 units. All units are furnished and occupied by residents at 50% or below AMI. Of the units, 1 unit is currently being used as a manager’s unit for a non-income qualifying employee of SRO Housing.

Leonide Apartments: Leonide Apartments is located at 512 Main St., LA, CA 90013. The Leonide Apartments consists of 64 units. All units are furnished and occupied by residents at 50% or below AMI. Of the 64 units, 1 unit is currently being used as a manager’s unit for a non-income qualifying employee of SRO Housing.

Regal Hotel: Regal Hotel is located at 815 E, 6th St., LA CA 90021. The Regal Hotel consists of 70 units. All units are furnished and occupied by residents at 50 % or below AMI. Of the 70 units, 1 unit is currently being used as a manager’s unit for a non-income qualifying employee of SRO Housing.

Courtland Hotel: Courtland Hotel is located at 520 S. Wall St. LA, CA 90013. The Courtland consists of 97 units. All units are furnished and occupied by residents at 50% or below AMI. Of the 97 units, 2 unit are currently being used as a manager’s unit and assistant manager unit.

Ward Hotel: Ward Hotel is located at 512 S. Wall St., LA CA 90013. The Ward consists of 72 units. All units are furnished and occupied by residents at 50% or below AMI. Of the 72 units, 1 unit is currently being used as a manager’s unit for a non-income qualifying employee of SRO Housing.

Rosslyn Hotel: Rosslyn Hotel is located at 112 W. 5th St., LA, CA 90013. The Rosslyn consists of 264 units. All units are furnished and occupied by residents at 60% or below AMI. Of the 264 units, 1 unit is currently being used as a manager’s unit for a non-income qualifying employee of SRO Housing.

II. Replacement Project

SRO Housing Corporation (“Developer”) is proposing to use the Ingraham Apartments Project (“Project”) for the replacement units. This plan identifies the location, timetable and proposed financing for future units that will serve as replacement units.

The Ingraham Apartments is located at 1218-1232 Ingraham Street, Los Angeles, CA 90017. The Project is a vacant lot currently being used as a parking lot. SRO Housing proposes to develop and construct a new, six story multi-family affordable permanent supportive housing project. The proposed project will consist of 120 Studio Apartments and 1 - 1BR apartment for the on-site manager, totaling 121 units. Ninety (90) units will be reserved for Chronic Homeless people at AMI levels of 30% or below with forty-five (45) of those units set aside for Homeless and Chronic Homeless Veterans along with forty-five (45) units for Homeless and Chronic Homeless persons w/ severe mental illnesses. The remaining thirty (30) units will be reserved for low income individuals at the 60% or below AMI level.

Each new studio apartment will be approximately 400 sq. ft. Features include a private kitchen and bathroom and air conditioning. Units come furnished with a bed, dresser, nightstand, table and chair; kitchens have a refrigerator and microwave oven. Units will either be fully UFAS/ADA compliant or fully adaptable and will also have full access to data and communications through the installed wiring and infrastructure. The Project will feature indoor and outdoor recreation and lounge spaces as well as a community kitchen, computer room and laundry.

III. Replacement Units

In order to comply with the original development agreement executed by the sites enumerated above, SRO Housing will set aside **43 units of the Ingram Apartments** and designate them as replacement units for purposes of meeting any obligations set forth in the Replacement Housing Plan. The Housing and Community Investment Department of Los Angeles (HCIDLA) will restrict 43 units at the AMI levels as showcased below in the Replacement Units Table executed through an Agreement Containing Covenants Affecting Real Property and a Notice of Affordability Restrictions. The rent restrictions for the replacement housing units will be less restrictive than the proposed financing rent restrictions and will have no affect on the new project's cash flow.

Units being removed from housing market

Project Name	Project Address	Dwelling Units	Amount of Bedrooms	Very Low Income	Low Income	Moderate Income	Removal Date
Russ Hotel	521 South San Julian St	32	32	32			September 2019
Golden West	415 East 5 th St	4	4	4			September 2019
Harold Hotel	323 East 5 th St	1	1	1			September 2019
Leonide Apts	512 South Main St	1	1	1			September 2019
Regal Hotel	815 East 6 th St	1	1		1		September 2019
Courtland Hotel	520 South Wall St	2	2	2			September 2019
Ward Hotel	512 South Wall St	1	1		1		September 2019
Roslyn Hotel	112 West 5 th St	1	1			1	September 2019
TOTAL		43	43	40	2	1	---

Replacement Units

Project Name	Project Address	Dwelling Units	Bedrooms	Very Low Income	Low Income	Moderate Income	Replacement Date
Ingraham Apts	1218 Ingraham St	43	43	40	2	1	February 2022
TOTAL		43	43	40	2	1	---

These units will be placed in service no later than four years from the adoption of this replacement housing plan.

IV. Proposed Financing and Timetable for the Ingraham Apartments

HCIDLA- HHH Permanent Supportive Housing Program Awarded in Dec 2018	\$ 12,000,000
LACDC – No Place Like Home (NPLH) Application was be submitted in March 2019	\$ 11,502,324
LACDC AHTF Awarded in January 2019	\$ 2,000,000
LACDC Mental Health Housing Program (MHHP) Awarded January 2019	\$ 3,000,000
CDLAC Tax Exempt Bond Allocation Application will be submitted January 2020	\$ 5,301,000
LIHTC 4% Tax Credit Equity Application will be submitted in January 2020.	\$ 20,620,648

V. RELOCATION

No relocation plan will be required as no tenants will be affected by the removal of the affordability restrictions.

VI. NON-APPLICABILITY OF ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

The development of the replacement housing does not require approval of the voters pursuant to Article **XXXIV** of the California Constitution for the following reasons. First, Article **XXXIV** requires approval of the electorate only when a state public body develops, constructs or acquires a low-rent housing project. The Legislature has enacted the Public Housing Implementation Law (Health & Safety Code Section **37000 et seq.**) to interpret and implement Article **XXXIV**. Health and Safety Code Section **37001(f)** states that the term "low-rent housing project" in Article **XXXIV** does not apply to any development that consists of rehabilitation, reconstruction, improvement, or replacement of dwelling units of a previously existing low-rent housing project, or a project previously or currently occupied by households with incomes at or below 80% of the area median income.