

HOUSING

MOTION

In April 2016, the Housing and Community Investment Department (HCID) released a Request for Qualifications and Proposals (RFQ/P) for the development of City-owned properties as supportive and affordable housing. Among the City-owned parcels offered was a site in Council District 13 comprising adjacent parcels located at 1633 North Wilcox Avenue and 6518-6522 Hollywood Boulevard (the Project Site). The RFQ/P sought proposals for one mixed-use development that would construct affordable housing on the City-owned parking lot on the North Wilcox Avenue parcel, and rehabilitate an existing commercial building for continued use by community arts organizations on the Hollywood Boulevard parcel (the Project). HCID received four proposals for the Project, including one from Thomas Safran Associates (TSA), which received the highest score from the scoring panel.

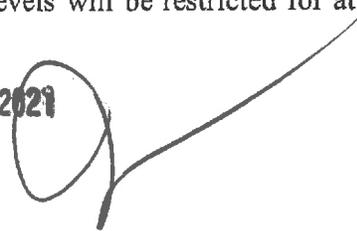
In November 2016, the City Council and the Mayor approved HCID's recommendation to select TSA to develop the Project, known as the Hollywood Arts Collective, and approved the Department's request to enter into an Exclusive Negotiation Agreement (ENA). The ENA was entered in March 2017 for a one-year term, which was subsequently extended to July 2018.

During the term of the ENA, HCID and TSA negotiated the terms of the Disposition and Development Agreement (DDA) for the Project and ground leases for the entire Project Site. However, due to different sources of funding for residential and commercial developments and the need to meet a funding deadline for Low Income Housing Tax Credits (LIHTC) and the States' Affordable Housing and Sustainable Communities Program (AHSC), the negotiations of the Project documents were split into two separate components. As a result, HCID and TSA executed a DDA for the residential portion of the Project in February 2019, followed by the execution of a long-term ground lease in November 2020. Construction of the 152-unit 100 percent affordable residential development is now underway.

While the original ENA expired in July 2018, negotiations over the rehabilitation of the Community Arts Building continued. These negotiations have resulted in an executed Key Terms and Conditions for the ground lease (attached), which provides for a 99-year term and the payment of rent of \$1.00 per year as long as TSA provides certain community benefits through the operation of the Community Arts Building. HCID is now prepared to finalize the lease for the Arts Building based on these terms and conditions. The lease will allow TSA to secure New Market Tax Credits (NMTC) to fund a portion of the rehabilitation of the Community Arts Building.

Disposition of the Project Site land is subject to the State's Surplus Land Act (SLA). However, the disposition of the Project Site qualifies as "exempt surplus property" under certain affordable housing provisions of the SLA (Government Code Sections 54221(f)(1)(A) and/or 54221(f)(1)(F)(i)) since (i) the Project was put out to bid with broad notice; (ii) 80 percent of the Project Site will be developed for the residential component; (iii) 100 percent of the residential units will be affordable to households of lower income (80 percent AMI), including 114 units affordable at 60 percent AMI and 61 units affordable at 50 percent AMI; and (iv) the affordability levels will be restricted for at least the initial 55-years of the lease term. HCID is

MAY 26 2021



working with the California Department of Housing and Community Development to confirm compliance with the SLA.

I THEREFORE MOVE that in order to proceed with the development of the Hollywood Arts Collective project, located at 1633 North Wilcox Avenue and 6518-6522 Hollywood Boulevard, the Council authorize the General Manager of HCID, or designee, to negotiate and execute a ground lease with Thomas Safran and Associates or their to-be-formed Joint Venture, and any other ancillary documents required for the lease of the Property, per the attached Key Terms and Conditions.

I FURTHER MOVE that the Council declare that the disposition of the Project Site by ground leases to Thomas Safran and Associates or their to-be-formed Joint Venture constitutes exempt surplus property under Government Code Section 54221(f)(1)(A) and/or 54221(f)(1)(F)(i) based on the facts set forth herein and that HCID is directed to take any other necessary actions for compliance with the requirements of the SLA.

PRESENTED BY:



MITCH O'FARRELL

Councilmember, 13th District

SECONDED BY:



ATTACHMENT A

Legal Description

Lot 2 of the A.J. Pickrell Track, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 5, Page 161 of Maps, in the office of the County Recorder of said County.

Attachment B

Developer Pro Forma

PROJECT SUMMARY

Kingdom Development Inc.

HOLLYWOOD ARTS COLLECTIVE

17 units plus 0 mgr. unit
 NMTC Rehabilitation
 Non-PW Senior project

9% Credits
 Non-Rural
 QCT-No DDA-No

Permanent Sources				
Source	Amount	Rate	Amm.	/ Unit
Perm Loan	\$1,818,598	5.00%	30	\$106,976
NMTC Equity Proceeds	2,419,930	NA	NA	142,349
TAF Fundraising - Arts Rehab	10,352,300	0.00%	0	608,959
HCID - Donated Land	6,785,000	0.00%	RR	399,118
Interest Income	0	NA	NA	0
Operating Income	0	NA	NA	0
Deferred Developer Fee	25,114	6.00%	NA	1,477
				\$21,400,942
				\$1,258,879

Permanent Uses		
Uses	Amount	Per Unit
Land Costs	\$6,815,000	\$400,882
Permits, Fees, & Studies	1,186,351	69,785
Other Hard Costs	134,400	7,906
Direct Construction Costs	9,330,920	548,878
Contingency	915,363	53,845
Developer Fee	1,200,000	70,588
Indirect Construction Costs	731,035	43,002
Rent-Up Costs	20,000	1,176
Reserves	0	0
Financing Costs	1,067,872	62,816
		\$21,400,942
		\$1,258,879

Source Pay In Schedule			
Source	Amount	Date	Notes
Perm Loan	\$1,818,598	May-23	Stabilize
NMTC Equity Proceeds	2,419,930	Nov-21	Close
TAF Fundraising - Arts Rehab	3,000,000	Nov-21	Close
TAF Fundraising - Arts Rehab	7,352,300	May-23	Stabilize
HCID - Donated Land	6,785,000	Nov-21	Close

Construction Sources		
Source	Amount	Per Unit
NMTC Equity Proceeds	2,419,930	\$142,348.83
TAF Fundraising - Arts Rehab	3,000,000	176,470.59
HCID - Donated Land	6,785,000	399,117.65
Campaign Bridge Loan	8,061,400	474,199.99
Deferred Costs	1,134,812	66,741.87

Totals 21,400,942 \$1,258,878.92

Bedroom Mix/Average Rent			
Bedrooms	Quantity	% of Units	Avg. Rent
0			
1			
2			
3			
4+	17	100%	\$2,141.76

Rent Schedule					
Calculation	Price Sq Ft	Sq Ft	AMI	Rent	Util.
Level 1 - Lace Gallery	\$ 2.00	2,245	100%	\$4,490	\$0
Level 1 - Lace Storage	\$ 2.00	490	100%	980	0
Level 1 - Lace Office	\$ 2.00	800	100%	1,600	0
Level 1 - Vacant Gallery	\$ 3.00	1,500	100%	4,500	0
Level 1 - Vacant Storage	\$ 3.00	180	100%	\$40	0
Mezz - Lace Office	\$ 2.00	1,000	100%	2,000	0
Mezz - Vacant Office	\$ 3.00	350	100%	1,050	0

Operating Expenses		
Expenses	Amount	Per Unit
Administration	19,548	\$1,150
Insurance	6,000	353
Maintenance	14,400	847
Reserves	0	0
Salaries & Benefits	0	0
Services	0	0
Taxes	5,000	294
Utilities	14,256	839
	0	0
	0	0
Totals		\$59,204 \$3,483

Assumptions		Assumptions	
TCAC Tiebreaker	99.988%	Con. Length	14
Site (acres)	0.00	CL Closing:	11/1/21
Debt Cov. Ratio	1.15	Est. Completion	1/1/23
Vacancy Factor	5.0%	Con. Loan	8,061,400
		Con. Int. Rate	5.00%

USES, EXPENSES AND CREDITS

Kingdom Development Inc.

WOOD ARTS COLLECTIVE

17 units plus 0 mgr. unit
 NMTC Rehabilitation
 Non-PW Senior project

9% Credits
 Non-Rural
 QCT-No DDA-No

Development Uses				
Description	Amount	NC. Basis	Acq. Basis	Per Unit
Acquisition Cost	\$6,785,000	\$0	\$0	\$399,118
Holding Costs	30,000	0	0	1,765
Arts - Building Fees and Permits	117,734	117,734	0	6,926
Permit Consultant	50,000	50,000	0	2,941
Utility Service & Utility Relocation	19,800	19,800	0	1,165
Architectural & Engineering	998,817	998,817	0	58,754
TI - Lace	67,800	67,800	0	3,988
TI - TAF Theater Build Out	2,033,500	2,033,500	0	119,618
TI - TAF Build Out	1,195,000	1,195,000	0	70,294
TI - Misc Storage	16,500	16,500	0	971
Office Move Budget	50,000	0	0	2,941
Demolition	500,000	500,000	0	29,412
Sitework and utilities	100,000	100,000	0	5,882
Off-site	100,000	100,000	0	5,882
Landscape, Hardscape, Sitework	100,000	100,000	0	5,882
Seismic Upgrades	1,000,000	1,000,000	0	58,824
Shell System Improvements	1,500,000	1,500,000	0	88,235
Shell Finish Improvements	1,000,000	1,000,000	0	58,824
Mezzanine	1,000,000	1,000,000	0	58,824
General Conditions	318,000	318,000	0	18,706
Contractor's Overhead & Profit	424,000	424,000	0	24,941
Performance Bond	60,420	60,420	0	3,554
Construction Contingency	915,363	915,363	0	53,845
Developer Fee	1,200,000	1,200,000	0	70,588
Construction Manager	140,000	140,000	0	8,235
Builders Risk Insurance	60,420	60,420	0	3,554
Consulting	75,000	75,000	0	4,412
Accounting	25,000	25,000	0	1,471
Legal Fees	125,000	0	0	7,353
Relocation	155,615	0	0	9,154
Misc Soft Costs	100,000	0	0	5,882
Deputy Inspections	50,000	50,000	0	2,941
Marketing & Advertising	20,000	20,000	0	1,176
Campaign Bridge Loan Interest	796,672	384,368	0	46,863
Campaign Bridge Loan Fees	150,614	95,553	0	8,860
Permanent Loan Fees	43,186	0	0	2,540
NMTC Fees	27,500	0	0	1,618
Title and Recording	50,000	40,000	0	2,941
Totals	\$21,400,942	\$15,000,000	\$0	\$1,258,879

Operating Expenses		
Description	Amount	Per Unit
Property Management	\$19,548	\$1,150
Marketing	6,000	353
Audit	14,400	847
Assistant Manager	5,000	294
Maintenance Personnel	14,256	839
Total	\$59,204	\$3,483

Tax Credit Calculation			
	9% Federal	Acq. Fed.	State
Eligible Basis	15,000,000	0	
Excluded	0	0	
Unadjusted	8,617,987	0	8,617,987
Basis Limit	8,617,987		
Boost	100%	100%	
Adjusted	8,617,987	0	
Applicable	100.0%	100.0%	100.0%
Qualified	8,617,987	0	8,617,987
Reduction	0	0	
Adj. Qualified	8,617,987	0	
Rate Factor	39.00%	39.00%	30.00%
Annual Credits	3,361,015	0	
Federal Credits	3,361,014	State Credits	2,685,396
Credit Price	0.72		0.00
Proceeds	2,419,930		0
Total	\$2,419,930		

17 units plus 0 mgr. unit
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 QCT-No DDA-No

Cash Flow										
Year	1	2	3	4	5	6	7	8	9	10
Rental Income	181,920	186,468	191,130	195,908	200,806	205,826	210,971	216,246	221,652	227,193
CAM Recovery Income	22,215	22,770	23,340	23,923	24,521	25,134	25,763	26,407	27,067	27,743
Vacancy Loss	10,207	10,462	10,723	10,992	11,266	11,548	11,837	12,133	12,436	12,747
Adjusted Gross Income	193,928	198,776	203,746	208,840	214,061	219,412	224,897	230,520	236,283	242,190
Standard Expenses	59,204	61,276	63,421	65,641	67,938	70,316	72,777	75,324	77,960	80,689
Property Taxes	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	0	0	0	0	0	0	0	0	0	0
Total Expenses	59,204	61,276	63,421	65,641	67,938	70,316	72,777	75,324	77,960	80,689
Perm Debt Service	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152
Total Debt Service	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152
Operating Reserve Balance	0	0	0	0	0	0	0	0	0	0
Draws on Reserves	0	0	0	0	0	0	0	0	0	0
Net Operating Income	134,724	137,500	140,325	143,199	146,123	149,096	152,120	155,196	158,322	161,501
Debt Service Coverage	1.15	1.17	1.20	1.22	1.25	1.27	1.30	1.32	1.35	1.38
Cash after Exp & DS	17,573	20,349	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
LP Fee Balance	0	0	0	0	0	0	0	0	0	0
LP Fee Due	0	0	0	0	0	0	0	0	0	0
LP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	17,573	20,349	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
Deferred Developer Fee	25,114	7,541	0	0	0	0	0	0	0	0
Dev. Fee Payments	17,573	7,541	0	0	0	0	0	0	0	0
Cash Flow	0	12,808	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
TAF Asset Mgmt Fee Balance	0	0	0	0	0	0	0	0	0	0
TAF Asset Mgmt Fee Due	0	0	0	0	0	0	0	0	0	0
TAF Asset Mgmt Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	0	12,808	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
AGP Fee Balance	0	0	0	0	0	0	0	0	0	0
AGP Fee Due	0	0	0	0	0	0	0	0	0	0
AGP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	0	12,808	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
Loan Balance	10.35 M	10.35 M	10.34 M	10.32 M	10.29 M	10.26 M	10.23 M	10.19 M	10.16 M	10.12 M
Interest Charge	0	0	0	0	0	0	0	0	0	0
Payments	0	12,808	23,174	26,047	28,971	31,945	34,969	38,044	41,171	44,349
Ending Balance	10.35 M	10.34 M	10.32 M	10.29 M	10.26 M	10.23 M	10.19 M	10.16 M	10.12 M	10.07 M
Cash Flow	0	0	0	0	0	0	0	0	0	0
MGP Cash Flow	0	0	0	0	0	0	0	0	0	0
LP Cash Flow	0	0	0	0	0	0	0	0	0	0

17 units plus 0 mgr. unit

9% Credits

NMTC Rehabilitation

Non-Rural

Non-PW Senior project

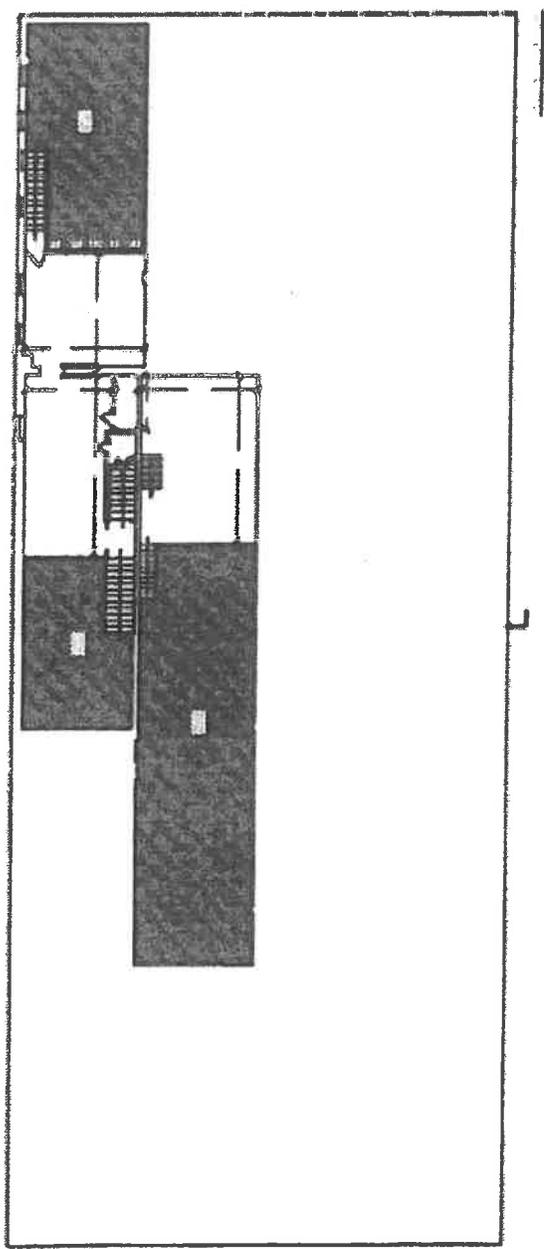
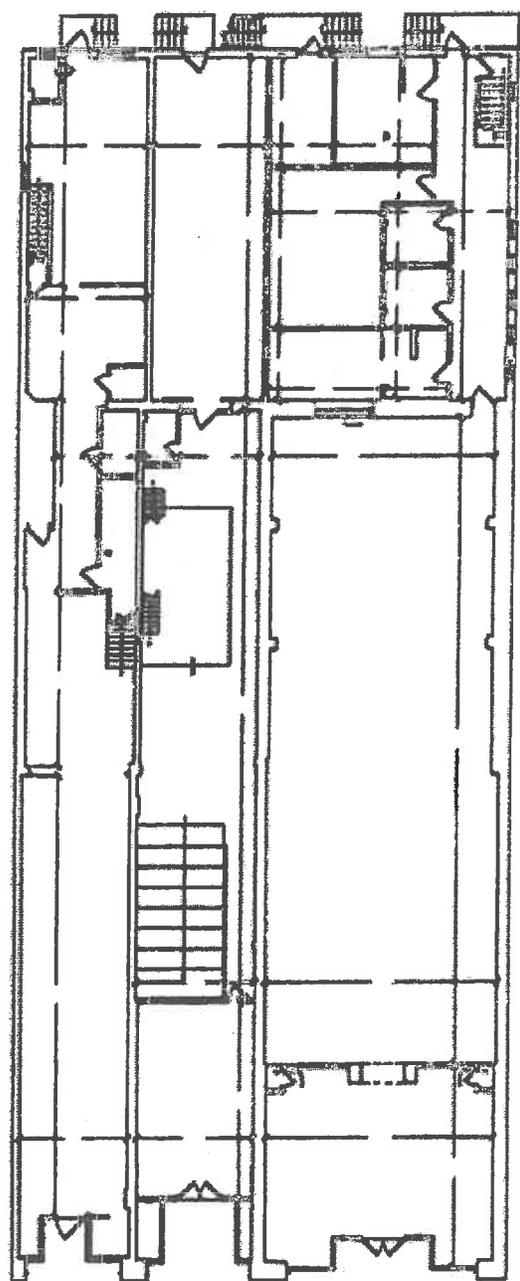
QCT-No DDA-No

Year	Cash Flow									
	11	12	13	14	15	16	17	18	19	20
Rental Income	232,873	238,695	244,662	250,779	257,048	263,474	270,061	276,813	283,733	290,826
CAM Recovery Income	28,437	29,148	29,877	30,624	31,389	32,174	32,978	33,803	34,648	35,514
Vacancy Loss	13,066	13,392	13,727	14,070	14,422	14,782	15,152	15,531	15,919	16,317
Adjusted Gross Income	248,245	254,451	260,812	267,332	274,016	280,866	287,888	295,085	302,462	310,023
Standard Expenses	83,513	86,436	89,461	92,592	95,833	99,187	102,659	106,252	109,971	113,820
Property Taxes	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	0	0	0	0	0	0	0	0	0	0
Total Expenses	83,513	86,436	89,461	92,592	95,833	99,187	102,659	106,252	109,971	113,820
Perm Debt Service	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152
Total Debt Service	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152	117,152
Operating Reserve Balance	0	0	0	0	0	0	0	0	0	0
Draws on Reserves	0	0	0	0	0	0	0	0	0	0
Net Operating Income	164,731	168,015	171,351	174,740	178,182	181,679	185,229	188,833	192,491	196,204
Debt Service Coverage	1.41	1.43	1.46	1.49	1.52	1.55	1.58	1.61	1.64	1.67
Cash after Exp & DS	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
LP Fee Balance	0	0	0	0	0	0	0	0	0	0
LP Fee Due	0	0	0	0	0	0	0	0	0	0
LP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
Dev. Fee Payments	0	0	0	0	0	0	0	0	0	0
Cash Flow	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
TAF Asset Mgmt Fee Balance	0	0	0	0	0	0	0	0	0	0
TAF Asset Mgmt Fee Due	0	0	0	0	0	0	0	0	0	0
TAF Asset Mgmt Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
AGP Fee Balance	0	0	0	0	0	0	0	0	0	0
AGP Fee Due	0	0	0	0	0	0	0	0	0	0
AGP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
Loan Balance	10.07 M	10.02 M	9,972,379	9,918,180	9,860,592	9,799,561	9,735,034	9,666,957	9,595,275	9,519,936
Interest Charge	0	0	0	0	0	0	0	0	0	0
Payments	47,580	50,863	54,199	57,588	61,031	64,527	68,077	71,681	75,340	79,052
Ending Balance	10.02 M	9,972,379	9,918,180	9,860,592	9,799,561	9,735,034	9,666,957	9,595,275	9,519,936	9,440,884
Cash Flow	0	0	0	0	0	0	0	0	0	0
MGP Cash Flow	0	0	0	0	0	0	0	0	0	0
LP Cash Flow	0	0	0	0	0	0	0	0	0	0

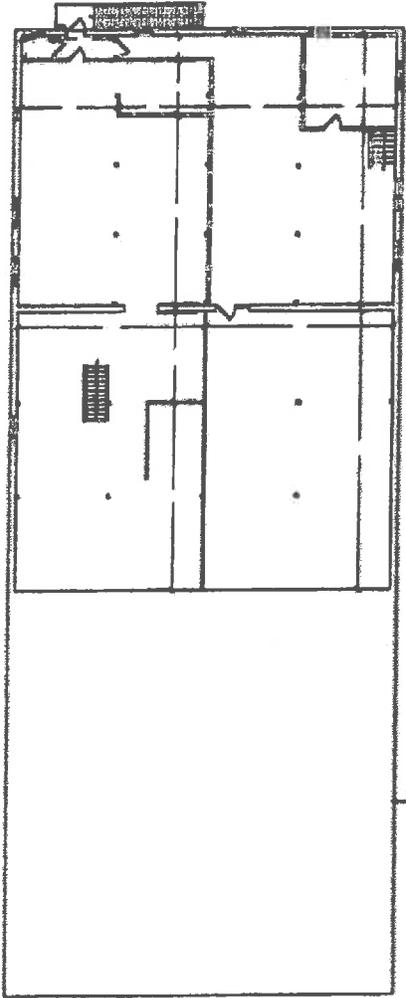
Year	11	12	13	14	15	16	17	18	19	20
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Attachment C

Site Plan



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PPM

