

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



Eric Garcetti, Mayor

LOS ANGELES HOUSING DEPARTMENT

1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Tel: 213.928.9071

housing.lacity.org

April 12, 2022

Council File: 21-0550-S1
Council Districts: Citywide
Contact Persons: Timothy Elliott (213) 808-8596
Daniel Huynh: (213) 808-8901

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR APPROVAL TO ISSUE SUPPLEMENTAL FINANCING COMMITMENTS TO EXISTING AFFORDABLE AND SUPPORTIVE HOUSING PROJECTS

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests authority to issue supplemental financing commitments to existing affordable and supportive housing projects as a result of the Construction Supplemental Notice of Funding Availability (NOFA). This action is recommended to prevent projects from experiencing financial challenges due to current economic conditions; and from missing critical milestones that may put the projects in jeopardy of losing leveraging resources or endangering their long-term project viability.

Several LAHD-funded projects currently moving through the construction process experienced sharp cost increases as the construction industry faced supply cost increases as a result of the COVID-19 pandemic. This occurred after an award of fixed tax credit allocations and the execution of related construction financing documents. In the past, LAHD has taken several proactive measures to prevent projects from missing critical funding milestones and is again seeking authority to address and resolve funding gaps caused by market fluctuations in the construction industry.

LAHD is recommending to award additional funding to 5 projects consisting of 420 affordable housing units.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of LAHD, or designee, to amend the funding commitments to the projects identified in Table 2 of this report, subject to the following conditions:

- B. AUTHORIZE the LAHD General Manager, or designee, to negotiate and execute, or amend an acquisition/predevelopment/construction/permanent loan agreement with the legal owner of the projects, subject to the satisfaction of all conditions and criteria stated in the LAHD original and supplemental application, this transmittal, and the LAHD Commitment Letter (if applicable); subject to the review and approval by the City Attorney as to form;
- C. AUTHORIZE the LAHD General Manager, or designee, to execute Subordination Agreements for the projects identified above, wherein the City Loan and Regulatory agreements are subordinated to their respective conventional or municipally funded construction and permanent loans, as required;
- D. AUTHORIZE the LAHD General Manager, 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;
- E. Obligate funding as follows:

Project Name	Fund No	Account	Amount
Colorado East	561/ 43	43N008	\$ 20,129.00
Colorado East	561/ 43	43S008	\$452,671.00
Rosa de Castilla Apartments	561/ 43	43R011	\$ 970,300.00
SP7 Apartments LP	561/ 43	43R011	\$340,032.00
SP7 Apartments LP	561/ 43	43S800	\$944,808.00
Vermont Corridor Apartments	561/ 43	43S800	\$ 800,000.00
Sub-total			\$ 3,527,940.00
Washington View	59T/43	43S723	\$ 1,040,000.00
Sub-total			\$1,040,000.00
Total			\$ 4,567,940.00

- F. AUTHORIZE the General Manager of LAHD, or designee, to prepare Controller instructions and make 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 these instructions.

BACKGROUND

In 2020, LAHD became aware that some of its borrowers with projects under construction were experiencing financial challenges due to current economic conditions. Reasons for cost overruns and delays may have included unexpected problems with utilities, soils conditions, abandoned oil wells, and dewatering due to heavy rains. A decline in tax credit pricing left some developers with reduced developer fees to absorb change orders beyond the budgeted contingency.

To understand the magnitude of the current situation, LAHD conducted a survey to assess the demand for funding. This outreach included owners/developers/borrowers of projects that had obtained all leveraging sources, but had not yet obtained a Certificate of Occupancy for the projects. This outreach was necessary in order to determine if any action on LAHD’s part was critical to prevent any loss of affordable housing

units. The results of LAHD’s research indicated that several developers were in need of immediate additional financial assistance to protect the viability of the affordable housing projects.

Based on the results, LAHD recommended that supplemental financial assistance be offered under the terms described below. LAHD requested and received Council and Mayoral authorization (C.F. No. 21-0550) to open a NOFA for Supplemental Construction Financing, which was restricted to projects already funded by LAHD. LAHD opened the supplemental financing NOFA on August 8, 2021. By the September 9, 2021 filing deadline, LAHD received a total of ten applications (Table 1). LAHD supplemental assistance was considered only for amounts above the first \$500,000 of a construction funding gap, and limited to \$1.5 million per project.

LAHD processed the NOFA applications and reviewed them to determine if they met the following eligibility requirements:

1. Project has an LAHD-issued Notice to Proceed but has not received a final Certificate of Occupancy by the time of application.
2. Project has experienced a greater than 15% construction cost increase since its tax credit application.
3. Finance team has exhausted all available funding options, including a 50% developer fee deferral.
4. Developer/ borrower demonstrated that construction can be completed by applicable Placed-in-Service deadlines.

TABLE 1 – LIST OF APPLICATIONS			
	Project Name	Developer	Supplemental Funding Request
1	Broadway Apartments	Veterans Housing Partnership LLC	\$ 1,500,000
2	Colorado East	DDCM Incorporated	\$ 1,000,000
3	McCadden Senior Housing	Thomas Safran & Associates Development Inc.	\$ 500,000
4	McCadden Youth Housing	Thomas Safran & Associates Development Inc.	\$ 500,000
5	Rosa de Castilla Apartments	East LA Community Corporation	\$ 1,323,681
6	SP7 Apartments LP	Skid Row Housing Trust	\$ 1,373,503
7	Vermont Corridor Apartments	Meta Housing Corporation	\$ 700,000
8	Washington View	Western Pacific Housing	\$ 1,500,000
9	Watts Works	Decro Corporation	\$ 708,502
10	West Third Apartments	Veterans Housing Partnership LLC	\$ 1,500,000
		Total Requested:	\$10,605,686

Supplemental Funding Assistance Recommendations

After review of the applications and accompanying documents, LAHD requests authorization to obligate funds to the projects listed in Table 2 below. LAHD recommends five projects to be awarded the amount listed below without further review. These five projects have met all of the requirements outlined in the NOFA and subsequent staff review. The staff reports are herein included as Attachment A and include further narrative regarding the cost increases and project budgets.

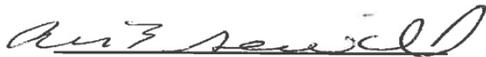
Further, as a way of reducing the amount of new funds awarded to all of the projects, LAHD will defer payment of the LAHD accrued construction loan interest. The accrued interest will be added to the permanent loan amount and will have the same repayment terms as the original loan amount.

TABLE 2 - SUPPLEMENTAL FUNDING ASSISTANCE RECOMMENDATIONS									
	Project Name	CD	Total Units	SH Units	Non SH Units	Mgr Units	Existing LAHD Funds	Additional LAHD Funds	TOTAL LAHD FUNDS
1	Colorado East	14	41	20	20	1	\$ 8,800,000	\$472,800	\$9,272,800
2	Rosa de Castilla Apartments	14	85	63	20	2	\$ 12,000,000	\$970,300	\$12,970,300
3	SP7 Apartments LP	14	100	55	44	1	\$ 12,000,000	\$1,284,840	\$13,284,840
4	Vermont Corridor Apartments	10	72	36	35	1	\$ 7,200,000	\$800,000	\$8,000,000
5	Washington View	1	122	91	30	1	\$ 12,000,000	\$1,040,000	\$13,040,000
	TOTAL		420	254	160	6	\$52,000,000	\$ 4,567,940	\$56,567,940

FISCAL IMPACT

There is no impact to the General Fund. The recommendations in Table 2 of this report will authorize LAHD to issue funding awards in the total amount of \$4,567,940.

Approved By:



ANN SEWILL
 General Manager
 Los Angeles Housing Department

ATTACHMENT:

Attachment A- Staff Reports

Attachment A
Staff Reports

**STAFF REPORT
January 26, 2022**

**Colorado East
2451 Colorado Boulevard
Los Angeles, CA 90041**

**New Construction
40 Units
Council District 14**

Project Description

Colorado East is a new construction project located at 2451 Colorado Boulevard, Los Angeles, developed by DDCM, Incorporated. The project will provide supportive housing for people experiencing homelessness, including, but not limited to special needs individuals, families, transition-aged youth, seniors, and persons with disabilities. All 40 affordable units will be occupied or held vacant and available for rental to households at 30% AMI. The total mix includes 26 one-bedroom, 14 two-bedrooms, and a three-bedroom manager's unit. There will be a total of 63 parking spaces with two accessible spaces.

The five-story building features ground level retail and common areas with a subterranean parking garage, with additional four stories of residential built above. The project amenities will include on site management, a community room and kitchen area, laundry facilities, and elevator service. Subterranean and ground floor parking will be provided for both tenant and commercial purposes. Supportive services will be provided for homeless individuals that are identified through the Los Angeles County Department of Health Services (DHS) and the coordinated entry system. Some of the services will include high-quality intensive care management services, transportation to medical and other relevant appointments, and ongoing reassessments for care.

Borrower and Proposed Ownership Structure

The subject property is currently owned by Kurken Alyanakian. The Borrower is Colorado East L.P., a California limited partnership, comprised of Coalition for Better Living, a California non-profit corporation, as its co-general partner; RCC MGP, LLC, a California limited liability company, as its managing general partner; and DDCM, Incorporated, a California corporation, as its operating general partner. Riverside Charitable Corporation, a California non-profit corporation, is the sole member of RCC MGP, LLC. Upon closing, Boston Financial Investment Management will be admitted as the Limited Partner. Ownership structure will consist of the following:

1. RCC MGP LLC, as Managing General Partner (0.0051%)
2. Coalition for Better Living, Co-General Partner (0.0001%)
3. DDCM Incorporated, as Operating General Partner (0.0048%)
4. Boston Financial Investment Management, Limited Partner (99.99%)

Population Served

The population served by the project will be people experiencing homelessness.

Affordability Structure

Unit Type	30% AMI Units	50% AMI Units	Manager Unit	Total Units	HHH Funded	Non-HHH Funded
1 Bedroom	26	0	-	26	26	0
2 Bedroom	14	0	-	14	14	0
3 Bedroom	-	0	1	1	-	0
Total	40	0	1	41	40	0

Permanent Funding Sources

Colorado East was approved for the Proposition HHH financing in April 2019. The borrower secured a tax-exempt and a taxable bond financing from Citibank in the amount of \$13,376,067 and \$1,947,560, respectively. Boston Financial will provide equity in the amount of \$2,149,476. In addition, the conversion will consist of permanent financing sources in the amount of \$10,508,642 of tax exempt permanent loan and \$8,597,904 of 4% tax credit equity.

Permanent Sources	Closing Budget	REVISED Sources	Per Unit	%Total
LAHD-HHH	\$8,800,000	\$8,800,000	\$214,634	30%
Permanent Loan	\$10,508,642	\$10,508,642	\$256,308	36%
Deferred Developer Fee	\$265,254	\$1,100,014	\$26,829	4%
LP Equity	\$8,109,931	\$8,597,904	\$209,706	28%
Supplemental Loan	-	\$472,800	\$11,532	2%
TOTAL	\$27,683,827	\$29,479,360	\$719,009	100%

Funding Uses

Uses of Funds	Closing Budget	REVISED Costs	Per Unit	%Total
Acquisition Costs	\$3,740,000	\$3,740,000	\$91,220	13%
Construction Hard Costs	\$15,914,637	\$17,833,271	\$434,958	60%
Architecture & Engineering	\$1,353,530	\$1,353,530	\$33,012	5%
Construction Interest Fees & Expenses	\$1,252,420	\$1,272,751	\$31,043	4%
Permanent Financing Costs	\$131,000	\$155,500	\$3,793	1%
Hard & Soft Contingency Costs	\$789,239	\$734,750	\$17,920	2%
Legal Costs	\$366,922	\$280,000	\$6,829	1%
Capitalized Reserves	\$480,923	\$480,923	\$11,730	2%
Permit and Local Fees	\$382,400	\$382,400	\$9,327	1%
Developer Fee	\$2,200,000	\$2,200,000	\$53,659	7%
Other Project Costs	\$1,072,756	\$1,046,235	\$25,518	4%
TOTAL	\$27,683,827	\$29,479,360	\$719,009	100%

Project Cost Justification

The total development cost of \$719,009 per unit reflects several factors, including being located on an urban infill hillside. Construction of the project required tall and heavy retaining walls. The project will

have a subterranean garage which is sunken into the hillside. The surrounding community has imposed various items to be included in the design of the project such as a three-dimensional façade with balconies. The project closed their construction financing loan on August 2020 but in recent months the project experienced significant increases in construction costs that includes price increase on materials, inspections, and utilities which were not anticipated.

Funding Recommendation

A supplemental funding award in an amount not to exceed \$472,800 is recommended at this time. The project was previously awarded a total of \$8,800,000 in LAHD Proposition HHH funding in April 2019.

The combined LAHD funds will represent \$226,166 per unit and 31% of the total development cost. The LAHD funds are leveraged primarily by equity proceeds from 4% low-income housing tax credits and the other permanent funding sources outlined above.

Prepared by: Los Angeles Housing Department

STAFF REPORT
As of: January 27, 2022

ROSA DE CASTILLA
4208 E. Huntington Drive South, Los Angeles, CA 90032
New Construction
85 Units
Council District 14

Project Description

Rosa De Castilla (project), located at 4208 E. Huntington Drive South, will be a new construction project with East LA Community Corporation as the developer. The project will consist of 85 residential units, comprised of 9 studios, 54 one-bedroom units, 10 two-bedroom units, 10 three-bedroom units, 1 one-bedroom manager's unit and 1 two-bedroom manager's unit.

All residential units will include full bathrooms and kitchens equipped with full-sized appliances, linen closets, ceiling fans, and central air. Each unit will be fully furnished with Energy Star appliances. Additional common area amenities will include meditation garden, central courtyard with barbecue grills, tot lot, computer room, community room, and electric vehicle parking.

Borrower and Proposed Ownership Structure

East LA Community Corporation is the developer and will form a Limited Partnership. The Limited Partnership will consist of East LA Community Corporation as Managing General Partner with New Directions Housing LLC as the Administrative General Partner. Ownership structure will consist of the following:

1. East LA Community Corporation as Managing General Partner (0.01%)
2. Rosa De Castilla, LP (99.99%)

Population Served

The population served by the project will be homeless individuals, homeless veterans and low income families.

Affordability Structure

Unit Type	30% AMI	50% AMI	60% AMI	Mgr	Total	HHH Funded	Non-HHH Funded
Studio	9				9	9	
1- Bdrm	54			1	55	54	1
2- Bdrm	2	8		1	11		11
3- Bdrm	1	5	4		10		10
Total	66	13	4	2	85	63	22

Permanent Funding Sources

Rosa De Castilla was approved for Proposition HHH financing in June 2018.

Permanent Sources	Closing Budget	REVISED Sources	Per Unit	% Total
Permanent Loan	\$7,536,000	\$9,496,000	\$111,718	18%
HCD-VHHP	\$5,943,177	\$5,943,177	\$69,920	11%
LAHD-HHH	\$12,000,000	\$12,000,000	\$141,176	22%
LAHD-HOME		\$850,000	\$10,000	2%
LAHD-Supplemental		\$970,300	\$11,415	2%
LAHD - Deferred Const Loan Int		\$353,400	\$4,158	1%
LACDA-AHTF	\$1,500,000	\$1,500,000	\$17,647	3%
Deferred Developer Fee	\$521,569	\$1,259,781	\$14,821	2%
GP Equity	\$100	\$100	\$1	0%
Tax Credit Equity	\$21,564,166	\$20,691,671	\$243,431	38%
AHP		\$830,000	\$9,765	2%
Special Limited Partner		\$100	\$1	0%
TOTAL	\$49,065,012	\$53,894,529	\$634,053	100%

Funding Uses

Uses of Funds	Closing Budget	REVISED Costs	Per Unit	% Total
Acquisition Costs	\$5,917,498	\$4,413,003	\$51,917.68	8%
Construction Hard Costs	\$32,715,052	\$38,024,794	\$447,350.52	71%
Architecture & Engineering	\$1,168,800	\$1,194,496	\$14,052.89	2%
Const Interest Fees & Expenses	\$2,388,537	\$2,312,532	\$27,206.26	4%
Permanent Financing Costs	\$71,520	\$248,495	\$2,923.47	0%
Hard & Soft Contingency Costs	\$1,778,915	\$138,299	\$1,627.05	0%
Legal Costs	\$145,000	\$207,996	\$2,447.01	0%
Capitalized Reserves	\$870,814	\$870,814	\$10,244.87	2%
Developer Fee	\$1,386,685	\$1,562,572	\$18,383.20	3%
Other Project Costs	\$2,622,191	\$4,921,528	\$57,900.33	9%
TOTAL	\$49,065,012	\$53,894,529	\$634,053	100%

Project Cost Increases

The total development cost of \$634,053 per unit reflects several factors:

- Increased Construction Costs: With increased construction throughout the Los Angeles area, competition for a limited number of subcontractors has increased rates and driven up construction costs. The cost of the site is \$390 per square foot. For a site of 97,437 square feet, this cost differential amounts to a total of \$5,309,742, or \$62,468 per unit for an 85-unit project.

- Site Preparation and Staging: The project is located in a developed area on a confined site. Designing the project around existing utility features resulted in additional costs – longer utility runs and related planning and design fees were necessary to ensure proper coordination with existing access points. The site location and size will require additional traffic control coordination for site work, deliveries, and loading/offloading. Close proximity to neighboring sites and the size of the infill location requires additional security measures for any construction materials stored onsite and throughout the construction process, since there is no additional space available for project staging. The building is designed with four stories to achieve the maximum allowable unit mix allowed. This will incur additional costs for use of lifts during construction, exterior building maintenance requirements, and additional foundation and structural support. The total added cost for all of these factors combined is \$5,309,742, or \$62,468 per unit.

Funding Recommendation

A supplemental funding award in an amount not to exceed \$970,300 is recommended at this time. The project was previously awarded a total of \$12,000,000 in LAHD Proposition HHH funding and \$850,000 in HOME funding in June 2018.

The combined LAHD funds will represent \$162,591 per unit and 26% of the total development cost. The LAHD funds are leveraged primarily by equity proceeds from 9% low-income housing tax credits and the other permanent funding sources outlined above.

Prepared by: Los Angeles Housing + Community Investment Department

**STAFF REPORT
January 25, 2022**

**SP7
519 E. 7th Street (Site 1) and 647 S. San Pedro Street (Site 2)
Los Angeles, CA 90014
100 Units
New Construction and Rehabilitation
Council District 14**

PROJECT DESCRIPTION

SP7 is a 100-unit scattered site new construction and rehabilitation development that consists of two sites, located at 519 E. 7th Street (Site 1) and 647 S. San Pedro Street (Site 2), in Council District 14. The project is developed by Skid Row Housing Trust. Site 1 is a new construction, seven-story, 81-unit property comprised of 80 studio units and a two-bedroom manager unit. It will have at-grade parking for staff, include the majority of the Project's amenities, as well as the manager's unit that will serve both properties. Amenities include a community room and kitchen, multiple patios and community gardens, bike parking, laundry room, conference room, elevator service, as well as management and supportive service offices, which will serve both sites. All units will be fully furnished. Site 2 is currently improved with a three-story affordable residential building built in 1998 (San Pedro House), and continues to be owned and operated by Skid Row Housing Trust, the Project's sponsor. Site 2 currently consists of 18 studio units and a studio manager unit spread across three levels. No reconfiguration of the units will occur; however, the existing manager's unit will be converted for residential use to be consistent with the Site 2 rehabilitation plan. The rehabilitation of Site 2 includes the major building systems, modernization of unit interiors and common area upgrades, addition of washers and dryers in each unit, and accessibility and sustainability upgrades. Site 1 and Site 2 are approximately 50 feet apart, and a single management team will be able to service both properties satisfactorily. As with Site 1, all Site 2 units will be fully furnished. There will be a total of six parking spaces with one accessible space (all at Site 1). Site 2 has no parking.

Supportive services will be provided for homeless individuals that are identified through the Los Angeles County Department of Health Services (DHS) and the coordinated entry system. Some of the services will include high-quality intensive care management services, transportation to medical and other relevant appointments, and ongoing reassessments for care.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The Borrower is SP7 Apartments LP, a California limited partnership, comprised of SP7 Apartments GP LLC (SP7 GP LLC) as the managing general partner with a 0.01% ownership interest, and National Equity Fund, Inc. (NEF) as the investor limited partner with a 99.99% of the limited partnership. The SP7 GP LLC is wholly held by The Skid Row Housing Trust (SRHT). Ownership structure will consist of the following:

1. SP7 Apartments GP LLC as Managing General Partner (0.01%)

2. National Equity Fund, Inc. as Limited Partner (99.99%)

POPULATION SERVED

The target population served by the project will be chronically homeless and homeless (80 units, including 12 units for persons at risk of or affected by HIV/AIDS), and persons at risk of or affected by HIV/AIDS (19 units).

AFFORDABILITY STRUCTURE

Unit Type	30% AMI Units	35% AMI Units	40% AMI Units	50% AMI Units	Manager Unit	Total Units	HHH Funded	Non-HHH Funded
Studio	25	12	16	46	-	99	40	
2 Bedroom	-	-	-	-	1	1	-	
Total	25	12	16	46	1	100	40	

PERMANENT FUNDING SOURCES

SP7 was approved for HHH financing in June 2017, and recapitalized existing (recast) HOPWA financing plus new HOPWA financing in November 2017. The borrower secured tax-exempt bond financing from Union Bank, N.A. in the amount of \$26,057,384. NEF is providing Equity in the amount of \$2,162,975.

Permanent Sources	Closing Budget	REVISED Sources	Per Unit	%Total
Permanent Loan	\$3,211,100	\$3,211,100	\$32,111	6.2%
State HCD – Other	\$4,657,670	\$4,657,670	\$46,577	8.9%
LAHD- Prop HHH	\$12,000,000	\$12,000,000	\$120,000	23.0%
HOPWA (new)	\$3,000,000	\$3,000,000	\$30,00	5.7%
HOPWA Recast	\$950,000	\$950,000	\$9,500	1.8%
LACDC AHTF	\$1,500,000	\$1,500,000	\$15,000	2.9%
LADMF	\$2,000,000	\$2,000,000	\$20,000	3.8%
AHP	\$1,100,000	\$1,100,000	\$11,000	2.1%
Deferred Interest-HOPWA	\$88,746	\$177,330	\$887	0.2%
Deferred Interest-LACDA, MHSAs	\$88,667	\$0	\$0	0%
LAHD Construction Supplemental Funds	\$0	\$1,284,840	\$	2.6%
Deferred Developer Fee	\$0	\$700,000	\$7,000	1.4%
GP Capital Contribution	\$4,295,250	\$4,439,662	\$44,397	8.5%
GP Equity (commercial income)	\$70,800	\$70,800	\$708	0.1%
LP Equity	\$17,721,099	\$17,152,117	\$171,521	32.8%
TOTAL	\$50,683,332	\$52,243,519	\$522,436	100%

USES OF FUNDS

Uses of Funds	Closing Budget	REVISED Costs	Per Unit	% Total
Acquisition Costs	\$3,950,000	\$4,034,254	\$40,342	7.9%
Construction Hard Costs	\$27,999,254	\$32,770,866	\$327,709	62.78%
Architecture & Engineering	\$1,657,348	\$2,012,400	\$20,1244	3.9%
Construction Interest Fees & Expenses	\$4,303,816	\$2,056,083	\$20,561	3.9%
Permanent Financing Costs	\$25,000	Not detailed	\$0	n/a
Hard & Soft Contingency Costs	\$3,152,742	Reallocated	\$0	n/a
Legal Costs	\$303,027	\$195,000	\$1,950	0.4%
Capitalized Reserves	\$722,852	\$1,145,299	\$11,453	2.2%
Permit and Local Fees	\$717,260	Not detailed	\$0	n/a
Developer Fee	\$5,624,450	\$5,389,662	\$53,89797	10.3%
Other Project Costs	\$2,227,583	\$4,639,955	\$46,4000	8.0%
TOTAL	\$50,683,332	\$52,243,519	\$522,436	100%

PROJECT COST JUSTIFICATION

The total development cost of \$522,4359 per unit is well within the range of projects begun in 2017 and completed in 2021, and reflects several common cost increases including Construction Hard Costs, Capitalized Reserves (lender requirements more stringent over time), and an increased rehab scope of work due to unknown factors. The project closed their construction financing loan on September 2018, but in recent months the project experienced significant increases in construction costs that includes price increase on materials, inspections, and utilities which were not anticipated.

FUNDING RECOMMENDATION

A LAHD funding commitment of in an amount not to exceed \$1,373,500 is recommended at this time. The project was previously awarded a total of \$12,000,000 in LAHD Proposition HHH funding, a recapitalization of an existing HOPWA loan in the amount of \$950,000, and new HOPWA funding in the amount of \$3,000,000 in 2018.

The combined LAHD funds will represent \$174,121 per unit and 33.3% of the total development cost. The LAHD funds are leveraged primarily by equity proceeds from 4% low-income housing tax credits and the other permanent funding sources outlined above.

Prepared by: Los Angeles Housing Department

STAFF REPORT
As of: January 24, 2022

Vermont Corridor Apartments (f/k/a 433 Vermont Apartments)
433 South Vermont Avenue
New Construction
72 Units
Council District: 10

Project Description

Vermont Corridor Apartments (“the Project”) located at 433 South Vermont Avenue will involve the new construction of 72 units for low-income seniors and special needs population. The 72 units will consist of 57 one-bedroom units, 14 two-bedroom units, and a two-bedroom market rate manager’s unit.

The Project will also include approximately 1,034 square feet (sf) of resident community space, a 347 sf onsite gym, and 3,549 sf of podium level open courtyard, exclusively for the residents. The ground floor of the building will be designated as community recreation space to be operated and maintained by the YMCA. The Project will include 12,500 square feet of community recreation space. This includes two community spaces, a concession room, an office, as well as a meeting room.

On-site supportive services will be provided by The People Concern (formerly OPCC/LAMP). Services will include case management and service coordination; volunteer coordination; community building; social and recreational activities, including resident council; outreach and engagement of residents; assistance with independent living skills, including money management; linkages to mainstream resources, healthcare, dental care, substance abuse, and mental health services; and self-help groups/peer services.

Borrower and Proposed Ownership Structure

The Project is owned by a tax credit Limited Partnership with WCH Affordable XXIV, LLC as the Managing General Partner, and U.S. Bancorp Community Development Corporation as the limited partner. Ownership structure will consist of the following:

1. WCH Affordable XXIV, LLC as Managing General Partner (0.01%)
2. U.S. Bancorp Community Development Corporation as Limited Partner (99.99%)

Population Served

The Project will serve three separate senior subpopulations, all of whom are 62 years or older. Eighteen of the units will target individuals who are chronically homeless. An additional 18 units will serve seniors experiencing homelessness that currently utilize service from the County of Los Angeles, and 35 units will serve low income seniors without any additional restrictions or special needs.

Affordability Structure

Unit Type	30% AMI	50% AMI	Mgr	Total	HHH PSH Unit	Non-HHH PSH Unit
1- Bdrm	34	23	0	57	34	23
2- Bdrm	2	1	1	15	2	13
Total	36	24	1	72	36	36

Permanent Funding Sources

Vermont Corridor Apartments was approved for Low-Moderate Income Housing Financing (LMIHF) in June of 2018 and Proposition HHH Permanent Supportive Housing Loan Program (HHH) financing in February 2018. The Proposition HHH subsidy maximum at the time of application was \$100,000 for both HHH restricted units and Non-HHH restricted units. Thus, the project was awarded a total of \$7,100,000 for the 71 restricted units. The HHH loan committed is the max loan the Project was eligible to receive in January 2018.

In addition to the HHH and the LMIHF loan, the financing is comprised of a conventional loan, funding from the County of Los Angeles, and tax credit equity from the sale of 9% Low Income Housing Tax Credits (LIHTC) funds and State Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC).

Permanent Sources	Closing Budget	REVISED Sources	Per Unit	% Total
Permanent Loan	\$5,052,056	\$8,789,000	\$122,069	16.04%
LAHD - LMIHF	\$1,500,000	\$1,500,000	\$20,833	2.74%
LAHD - HHH	\$7,100,000	\$7,100,000	\$98,611	12.96%
LA County - CDC	\$1,500,000	\$1,350,000	\$18,750	2.46%
LA County - SNHP	\$2,520,000	\$2,520,000	\$35,000	4.60%
LA County Donated Land	\$6,850,000	\$6,850,000	\$95,139	12.50%
Tax Credit Equity	\$25,664,929	\$23,696,354	\$329,116	43.26%
AHP	\$816,500	\$816,500	\$11,340	1.49%
Accrued Interest – CDC	\$81,000	\$194,880	\$2,707	0.36%
Accrued Interest – SNHP	\$136,080	\$276,294	\$3,837	0.50%
Accrued Interest - LAHD	\$0	\$372,700	\$5,177	0.70%
Deferred Dev Fee	\$32,035	\$885,269	\$12,295	1.62%
LAHD Supplemental	\$0	\$427,300	\$5,935	0.80%
TOTAL	\$51,252,600	\$54,778,297	\$760,810	100%

Funding Uses

Uses of Funds	Closing Budget	REVISED Costs	Per Unit	% Total
Acquisition Costs	\$6,850,000	\$7,000,000	\$97,222	12.78%
Construction Hard Costs	\$33,077,417	\$37,523,890	\$521,165	68.50%
Architecture & Engineering	\$1,699,448	\$3,042,662	\$42,259	5.55%
Const Interest Fees & Expenses	\$1,973,591	\$2,866,223	\$39,809	5.23%
Permanent Financing Costs	\$912,787	\$431,048	\$5,987	0.79%
Hard & Soft Contingency Costs	\$1,904,821	\$0	\$0	0%
Legal Costs	\$319,400	\$240,000	\$3,333	0.44%
Capitalized Reserves	\$389,127	\$605,127	\$8,405	1.10%
Developer Fee	\$1,764,083	\$1,763,083	\$24,487	3.22%
Other Project Costs	\$2,361,926	\$1,306,264	\$18,143	2.38%
TOTAL	\$51,252,600	\$54,778,297	\$760,810	100%

Funding Recommendation

A supplemental funding award in an amount no to exceed \$427,800 is recommended at this time. The project was previously awarded \$1,500,000 in LAHD Low Moderate Income Housing Financing in June of 2018 and \$7,100,000 in LAHD Proposition HHH funding in February 2018. The total previously awarded fund for this project was \$8,600,000. The combined LAHD funds will represent a cost of \$130,557 per unit and 17.16% of the total development cost. The LAHD funds are leveraged primarily by equity proceeds from 9% low-income housing tax credits and the other permanent funding sources outlined above.

Prepared by: Los Angeles Housing Department

STAFF REPORT
As of: January 27, 2022

WASHINGTON VIEW
720 W. Washington Blvd and 1912 S. Bonsallo Ave, Los Angeles, CA 90015
New Construction & Rehabilitation
122 Units
Council District 1

Project Description

Washington View (project), located at 720 W. Washington Blvd. and 1912 S. Bonsallo Ave., will be a new construction and rehabilitation project with Western Pacific Housing, LLC, as the developer. The project will consist of 122 residential units, comprised of 26 studios, 94 one-bedroom units, 1 two-bedroom unit and 1 two-bedroom manager's unit.

All residential units will include full bathrooms and kitchens equipped with full-sized appliances, linen closets, ceiling fans, and central air. Each unit will be fully furnished with energy-star refrigerator, gas-operated range, and microwave ovens. Additional amenities will include fully equipped laundry and drying facility, community and reading room, central courtyard, and bicycle parking as well as 4 electric vehicle charging stations.

Borrower and Proposed Ownership Structure

Western Pacific Housing, LLC is the developer and will form a Limited Partnership. Western Pacific Housing, LLC and Las Palmas will each have 50% of the 0.01% ownership in the entire LP. Washington View, LP, the Limited Partner will own 99.9% of the Limited Partnership. Ownership structure will consist of the following:

1. Western Pacific Housing, LLC as General Partner (0.005%)
2. Las Palmas Housing and Development Corporation as Managing General Partner (0.005%)
3. Washington View, LP (99.99%)

Population Served

The population served by the project will be homeless and chronically homeless senior citizens and low income senior citizens.

Affordability Structure

Unit Type	30% AMI	50% AMI	Mgr	Total	HHH PSH Unit	Non-HHH PSH Unit
Studio	13	13		26	26	
1- Bdrm	37	28		94	65	29
2- Bdrm			1	2		2
Total	50	41	1	122	91	31

Permanent Funding Sources

Washington View was approved for Proposition HHH financing in June 2019.

Permanent Sources	Closing Budget	REVISED Sources	Per Unit	% Total
Permanent Loan	\$14,700,205	\$18,500,000	\$151,639	32.81%
LAHD-HHH	\$12,000,000	\$12,000,000	\$98,361	21.28%
LAHD - Supplemental		\$1,040,000	\$8,525	1.84%
LAHD - Deferred Const Loan Int		\$460,000	\$3,770	0.82%
Deferred Developer Fee	\$1,056,364	\$1,056,164	\$8,657	1.87%
GP Equity	\$1,000,000	\$2,156,265	\$17,674	3.82%
Tax Credit Equity	\$21,165,765	\$21,165,765	\$173,490	37.54%
TOTAL	\$49,922,334	\$56,378,194	\$462,116	100.00%

Funding Uses

Uses of Funds	Closing Budget	REVISED Costs	Per Unit	% Total
Acquisition Costs	\$6,177,829	\$5,534,329	\$45,363	9.82%
Construction Hard Costs	\$30,751,383	\$36,759,262	\$301,305	65.20%
Architecture & Engineering	\$1,804,423	\$2,457,723	\$20,145	4.36%
Const Interest Fees & Expenses	\$1,906,356	\$2,632,424	\$21,577	4.67%
Permanent Financing Costs	\$182,002	\$422,002	\$3,459	0.75%
Total Hard & Soft Contingency Costs	\$2,453,710	\$730,000	\$5,984	1.29%
Legal Costs	\$369,532	\$419,532	\$3,439	0.74%
Capitalized Reserves	\$809,605	\$809,605	\$6,636	1.44%
Developer Fee	\$2,056,164	\$2,056,164	\$16,854	3.65%
Other Project Costs	\$3,411,330	\$4,557,153	\$37,354	8.08%
TOTAL	\$49,922,334	\$56,378,194	\$462,116	100.00%

Increased Costs

The total development cost of \$462,116 per unit reflects several factors. During excavation of the subterranean parking garage under Building 1-4, the following issues were encountered; petro-mat and asphalt, concrete debris, and bedrock, which increased the disposal costs. During demolition additional shoring was discovered for the existing walls. Excavation under building 6 revealed concrete rather than soil, also adding to the hauling and disposal costs. A drop in tax credit pricing resulted in a decrease of the proposed tax credit equity. The cost of the site is \$403 per square foot. For a site of 91,225 square feet, this cost differential amounts to a total of \$6,007,879, or \$49,245 per unit for a 122-unit project.

Funding Recommendation

A supplemental funding award in an amount not to exceed \$1,040,000 is recommended at this time. The project was previously awarded a total of \$12,000,000 in LAHD Proposition HHH funding in June 2019.

The combined LAHD funds will represent \$106,886 per unit and 23% of the total development cost. The LAHD funds are leveraged primarily by equity proceeds from 9% low-income housing tax credits and the other permanent funding sources outlined above.

Prepared by: Los Angeles Housing Department