

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 3, 2022

CAO File No. 0220-00540-1609

Council File No. 21-0550-S1

Council District: 1, 10, and 14

To: The Mayor
The Council

From: *for* Matthew W. Szabo, City  Administrative Officer

Reference: Los Angeles Housing Department transmittal dated April 12, 2022; Received by the City Administrative Officer on April 18, 2022; Additional Information Received through June 2, 2022

Subject: **REQUEST FOR APPROVAL TO ISSUE SUPPLEMENTAL FINANCING COMMITMENTS TO EXISTING AFFORDABLE AND SUPPORTIVE HOUSING PROJECTS**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Note and file the Los Angeles Housing Department (LAHD) transmittal, dated April 12, 2022 (Report), relative to issuing supplemental financing commitments to existing affordable and supportive housing projects;
2. Authorize the General Manager of the LAHD, or designee, to:
 - a. Amend the funding commitments for the Colorado East, Rosa de Castilla Apartments, SP7 Apartments LP, Vermont Corridor Apartments, and Washington View projects identified in this report's Table;
 - b. Negotiate and execute, or amend, acquisition, predevelopment, construction, and/or permanent loan agreements with the legal owners of all of the projects identified in this report's Table, subject to the satisfaction of all conditions and criteria contained in the LAHD original and supplemental funding application, LAHD's Report, and the LAHD Commitment Letter (if applicable), subject to the review and approval of the City Attorney as to form;
 - c. Execute subordination agreements of the City's financial commitment for all of the projects identified in this report's Table, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally-funded construction and permanent loans, as required;

- d. Allow the transfer of the City's financial commitment for all of the projects identified in this report's Table 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	Account	Account Name	Amount
Colorado East	561/43	43N008	Affordable Housing Trust Fund	\$ 20,129
Colorado East	561/43	43S800	Affordable Housing Managed Pipeline	452,671
Rosa de Castilla Apartments	561/43	43R011	Affordable Housing Trust Fund	970,300
SP7 Apartments LP	561/43	43R011	Affordable Housing Trust Fund	340,032
SP7 Apartments LP	561/43	43S800	Affordable Housing Managed Pipeline	944,808
Vermont Corridor Apartments	561/43	43S800	Affordable Housing Managed Pipeline	800,000
<i>HOME Investment Partnerships Program Fund Subtotal</i>				\$ 3,527,940
Washington View	59T/43	43S723	Rental New Construction	\$ 1,040,000
<i>Housing Impact Trust Fund Subtotal</i>				\$ 1,040,000
TOTAL				\$ 4,567,940

- f. Prepare Controller instructions and any technical corrections as necessary to the transactions included in this report to implement the intent of those transactions, subject to the approval of the City Administrative Officer.

SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to issue supplemental financing commitments totaling \$4,567,940 for the following five, existing affordable housing or supportive housing projects: Colorado East, Rosa de Castilla Apartments, SP7 Apartments LP, Vermont Corridor Apartments, and Washington View. The LAHD further requests authority to negotiate and execute, or amend, agreements with the projects receiving City funds for acquisition, predevelopment, construction and permanent loans, and to subordinate City loans and regulatory agreements. The LAHD also requests authority to transfer the City's financial commitments for the projects receiving LAHD funding to a legal entity formed for the sole purpose of owning and operating the project.

On August 8, 2021, the LAHD issued a Notice of Funding Availability (NOFA) for supplemental construction financing to projects, already funded by LAHD, that were experiencing financial

challenges due to current economic conditions. The LAHD is recommending additional funding to five projects that met all of the requirements outlined in the NOFA and subsequent staff review. Additional information regarding the NOFA process and the specific projects can be found in the LAHD transmittal, dated April 12, 2022 (Report). The LAHD request would allow the Department to provide additional funding from special funds to prevent projects from missing critical milestones that may potentially put the projects' leveraging resources at risk or endanger the projects' viability.

Subsequent to the release of its Report, the LAHD provided the following revised information: 1) the correct account number for the Colorado East project's funding commitment; 2) revised *Existing LAHD Funds* amounts for the Rosa De Castilla Apartments, SP7 Apartments LP, and Vermont Corridor Apartments projects; and, 3) a revised Staff Report for Vermont Corridor Apartments. The Staff Report is attached for reference. The five projects that are recommended to receive additional funding commitments are shown in the following Table:

Table: Revised Supplemental Funding Assistance Recommendations

	Project Name	CD	Total Units	SH Units	Non-SH Units	Mgr Units	Existing LAHD Funds	Recommended 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	\$12,850,000	\$970,300	\$13,820,300
3	SP7 Apartments LP	14	100	55	44	1	\$15,000,000	\$1,284,840	\$16,284,840
4	Vermont Corridor Apartments	10	72	36	35	1	\$8,600,000	\$800,000	\$9,400,000
5	Washington View	1	122	91	30	1	\$12,000,000	\$1,040,000	\$13,040,000
	TOTAL		420	265	149	6	\$57,250,000	\$4,567,940	\$61,817,940

The CAO concurs with the Department's recommendations, as amended, to incorporate the revised accounting information for the Colorado East project and the revised Table with the updated funding amounts provided by the Department.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The supplemental funding commitments are funded by the HOME Investment Partnerships Program Fund and Housing Impact Trust Fund.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

MWS:MOF:02210203c

Attachment

STAFF REPORT

As of: 6/2/2022

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	\$512,569	\$7,119	1.62%
LAHD Supplemental	\$0	\$800,000	\$11,111	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 \$800,000 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