

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 14, 2022

CAO File No. 0220-00540-1610

Council File No. 22-0664

Council District: 11, 13, and 14

To: The Mayor
The Council

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

Reference: Corrected Los Angeles Housing Department transmittal dated May 26, 2022; Received by the City Administrative Officer on June 6, 2022; Additional Information Received through June 9, 2022

Subject: **REQUEST FOR AUTHORITY TO ISSUE FUNDING AWARDS AND SUPPORT LETTERS TO EXISTING AFFORDABLE HOUSING MANAGED PIPELINE PROJECTS APPLYING TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (CTCAC) IN 2022 ROUND 2 AND VARIOUS ACTIONS RELATED TO OTHER EXISTING MANAGED PIPELINE PROJECTS**

RECOMMENDATIONS

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

1. Note and file the Los Angeles Housing Department (LAHD) transmittal, dated May 26, 2022, relative to issuing funding awards and support letters to existing Affordable and Supportive Housing Managed Pipeline projects applying to the California Tax Credit Allocation Committee (CTCAC) in 2022 Round 2 or the Multifamily Finance Super Notice of Funding Availability (NOFA) and various actions related to existing Affordable Housing Managed Pipeline projects;
2. Adopt the Resolution attached to this report, provided in substantial final form, approving the LAHD's participation in the California Department of Housing and Community Development's California Housing Accelerator Program (CHAP);
3. Authorize the General Manager of the LAHD, or designee, to:
 - a. Issue a funding recommendation letter for the Third Thyme, First Street North – B Phase (also known as (aka) Go for Broke – South), First Street North – A Phase (aka Go for Broke North), and Venice Dell (aka Reese Davidson Community) projects identified in this report's Table, subject to the following conditions:
 - i. The final funding commitment will not exceed the amount listed;

- ii. The project sponsor must apply to the CTCAC in the next available Low Income Housing Tax Credits (LIHTC) allocation round; and,
- iii. The disbursement of LAHD funds will occur only after the sponsor obtains enforceable commitment for all proposed funding;
- b. Negotiate and execute acquisition/predevelopment/construction/permanent loan agreements with the legal owners of all of the projects identified in this report's Table, which receive awards from the proposed leveraging sources, subject to the satisfaction of all conditions and criteria contained in the LAHD Pipeline application, LAHD's transmittal, and the LAHD Award Letter (if applicable), and 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, state, and federal requirements;
- e. Issue a Nine Percent LIHTC tie-breaker letter of support for the First Street North – B Phase (aka Go For Broke – South) project in the Geographic set-aside, as identified in this report's Table; and,
- f. Obligate funding for the projects listed below as follows:

Project Name	Fund	Account	Account Name	Amount
Third Thyme	561/43	43N008	Affordable Housing Trust Fund	\$ 1,500,000.00
Third Thyme	561/43	43S800	Affordable Housing Managed Pipeline	4,500,000.00
First Street North – B Phase (aka Go for Broke – South)	561/43	43S800	Affordable Housing Managed Pipeline	1,085,346.20
First Street North – B Phase (aka Go for Broke – South)	561/43	43T800	Affordable Housing Managed Pipeline	3,719,853.80
First Street North – A Phase (aka Go for Broke North)	561/43	43T800	Affordable Housing Managed Pipeline	12,000,000.00

Venice Dell/Reese Davidson Community	561/43	43T800	Affordable Housing Managed Pipeline	746,878.20
Venice Dell/Reese Davidson Community	561/43	43V010	Affordable Housing Trust Fund - PY	1,382,925.00
Venice Dell/Reese Davidson Community	561/43	43V800	Affordable Housing Managed Pipeline	2,170,196.80
<i>HOME Investment Partnerships Program Fund Subtotal</i>				<i>\$ 27,105,200.00</i>
First Street North – B Phase (aka Go for Broke – South)	59T/43	43S723	Rental New Construction	\$ 2,000,000.00
First Street North – A Phase (aka Go for Broke North)	59T/43	43S723	Rental New Construction	2,000,000.00
Venice Dell/Reese Davidson Community	59T/43	43S723	Rental New Construction	2,000,000.00
<i>Housing Impact Trust Fund Subtotal</i>				<i>\$ 6,000,000.00</i>
Third Thyme	521/43	43VC04	Third Thyme	3,500,000.00
<i>Central City West Housing Trust Fund Subtotal</i>				<i>\$ 3,500,000.00</i>
TOTAL				\$36,605,200.00

- g. Execute, on behalf of the City, an Amendment to the Affordable Housing and Sustainable Communities Program Joint Application Agreement for the Parkview Affordable Housing project, subject to the review and approval of the City Attorney as to form;
 - h. Sign, on behalf of the City, all required legal documents for the Parkview Affordable Housing project's application to the CHAP, which is administered by the California Department of Housing and Community Development, including a Standard Agreement, Disbursement Agreement, and others, subject to the review and approval of the City Attorney as to form;
 - i. 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; and,
4. Authorize the Controller to establish a new appropriation account numbered and entitled 43VC04 – Third Thyme within the Central City West Housing Trust Fund No. 521/43 and appropriate \$3,500,000 from the available cash balance of the fund to this new account.

SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to issue Funding Commitment Letters for four Affordable Housing Managed Pipeline (AHMP) projects applying for either the Nine or Four Percent Low Income Housing Tax Credits (LIHTC) in the California Tax Credit Allocation

Committee (CTCAC) 2022 Round 2 or the Multifamily Finance Super Notice of Funding Availability (NOFA). The LAHD also requests authority to issue a Letter of Support for one out of the four projects (First Street North – B Phase) that is applying for Nine Percent LIHTC in the City of Los Angeles Geographic Apportionment set-aside category. The four AHMP projects will be funded by one of the following funding sources: HOME Investment Partnerships Program Fund, Housing Impact Trust Fund, or Central City West Housing Trust Fund. The LAHD further requests authority to negotiate and execute 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. Additional information regarding the AHMP projects and the CTCAC or Super NOFA application processes can be found in the LAHD transmittal dated May 26, 2022 (Report). Subsequent to the release of its Report, the LAHD provided the Staff Report for the Third Thyme project, which is attached to this report for reference.

The projects applying for Nine Percent and Four Percent LIHTC or the Multifamily Finance Super NOFA, and the LAHD's proposed funding commitments for the projects are shown in the following Table:

Table: LAHD Funding Recommendations

Project Name	CD	Project Type	Total Units	SH Units	LAHD Award	Total Development Cost (TDC)	TDC/ Unit
Nonprofit and Special Needs Set-aside (Nine Percent LIHTC)							
Third Thyme	13	New Construction	104	52	\$9,500,000	\$48,357,456	\$464,976
City of Los Angeles Geographic Set-aside (Nine percent LIHTC)							
First Street North - B Phase (aka Go For Broke- South)	14	New Construction	68	16	\$6,805,200	\$40,654,806	\$597,865
Four Percent LIHTC							
First Street North – A Phase (aka Go for Broke North)	14	New Construction	181	44	\$14,000,000	\$86,869,539	\$479,942
HCID Multifamily Super NOFA							
Venice Dell (aka Reese Davidson Community)	11	New Construction	140	68	\$6,300,000	\$79,809,094	\$570,065
TOTAL			493	180	\$36,605,200		

The LAHD also requests authority for various actions related to the another existing AHMP project, Parkview Affordable Housing (Parkview), and its application for the California Department of Housing and Community Development's (HCD) California Housing Accelerator Program (CHAP). The CHAP aims to fill funding gaps in projects that have received funding under other HCD programs and have been unable to access low-income housing tax credits. The Parkview project was awarded a CHAP allocation on February 23, 2022. Under the CHAP, awarded projects need a co-sponsor if the project has received other HCD funding that also required a co-sponsor. The LAHD is currently a co-sponsor of the Parkview project under the HCD's Affordable Housing and

Sustainable Community (AHSC) program and, therefore, also needs to serve as co-sponsor for the project under the CHAP. As such, the LAHD requests authority for the following: 1) to execute an amendment to the AHSC Joint Application Agreement (JAA) for Parkview; and, 2) execute the required legal documents to serve as a co-sponsor of the Parkview project under the CHAP. The LAHD notes that the JAA was previously created to identify the City and the Parkview project's developer's roles and responsibilities as co-applicants under the HCD's AHSC program. An amendment to the JAA is needed to incorporate the CHAP award into the agreement even though the roles of each party will remain unchanged. Subsequent to the release of its Report, the LAHD also requested that the City Council adopt a Resolution, as required by the HCD, to approve the LAHD's participation in the CHAP. The Resolution provided by the LAHD is attached to this report for Council's consideration and adoption.

The CAO concurs with the Department's recommendations, as amended, to incorporate the following: 1) to request that the City Council adopt the Resolution attached to this report, which approves the LAHD's participation as a co-sponsor for the Parkview project under the HCD's CHAP; and, 2) require that the execution of the AHSC JAA and all CHAP legal documents required for the CHAP co-sponsorship shall be subject to the review and approval of the City Attorney.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The Affordable Housing Managed Pipeline commitments are funded by the HOME Investment Partnerships Program Fund, Housing Impact Trust Fund, and Central City West Housing Trust Fund.

FINANCIAL POLICIES STATEMENT

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

MWS:MOF:02220208c

Attachments

**RESOLUTION OF THE
LOS ANGELES CITY COUNCIL**

**AUTHORIZING PARTICIPATION IN THE
CALIFORNIA HOUSING ACCELERATOR PROGRAM**

RESOLUTION NO.: _____

Parkview Affordable Housing

WHEREAS, the California Department of Housing and Community Development ("Department"), as authorized by Chapter 6.6 (commencing with Section 50672) of Part 2 of Division 31 of the Health and Safety Code, has issued a Project Solicitation and Guidelines, dated October 5, 2021, under its California Housing Accelerator program ("Solicitation");

WHEREAS, the Department made a conditional commitment of California Housing Accelerator funds in reliance on the representations in that Application (the "California Housing Accelerator Loan") to Thomas Safran and Associates Development Inc. (Awardee) on February 9, 2022.

NOW, THEREFORE, IT IS RESOLVED, that the Los Angeles Housing Department, on behalf of the City of Los Angeles ("Public Entity") is hereby authorized to act in connection with the Department's award of the California Housing Accelerator Loan.

RESOLVED FURTHER: That in connection with the California Housing Accelerator Loan, the Public Entity is authorized and directed to enter into, execute, and deliver an STD 213, Standard Agreement in an amount not to exceed \$40,221,773, and any and all other documents required or deemed necessary or appropriate to secure the California Housing Accelerator Loan from the Department and to participate in the California Housing Accelerator program, and all amendments thereto (collectively, the "California Housing Accelerator Loan Documents").

RESOLVED FURTHER: Public Entity acknowledges and agrees that it may be subject to the negotiated terms and conditions specified in the Standard Agreement, and that the Solicitation and the Standard Agreement will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Loan Funds are to be used for the allowable expenditures, uses, and activities identified in the Standard Agreement by Thomas Safran and Associates. Public Entity is not the recipient of the Loan funds.

RESOLVED FURTHER: That Ann Sewill, General Manager of Los Angeles Housing Department, or designee, is hereby authorized to execute the Application and the California Housing Accelerator Loan Documents on behalf of the Public Entity.

Passed and adopted, effective as of _____, 20____, by the consent of the Governing Body of Public Entity by the following vote:

___AYES

___NAYS

___ABSTAIN

___ABSENT

CERTIFICATE OF THE CLERK OF THE PUBLIC ENTITY

I certify that the foregoing was adopted by the Council of the City of Los Angeles at its meeting on _____, 2022.

By _____

Name _____

Title _____

STAFF REPORT
As of: June 6, 2022

Third Thyme Apartments
1435 W. 3rd Street, Los Angeles, CA 90026
New Construction
104 Units
Council District 1

Project Description

Third Thyme is located at 1435-1437 West 3rd Street, Los Angeles, CA 90017. It will be the new construction of 104 affordable one-bedroom rental units on a 14,866 sq. ft. lot. The building will be eight stories with five levels of Type III modified wood-frame construction over a 3-floor Type I concrete podium. Parking will be located below-grade and at the first level and will include 40 parking spaces as well as 86 bicycle parking spaces. Other amenities will include a community room with a kitchen and computer room/ library, fitness room and laundry room. Each unit will feature an outdoor balcony, air conditioning, a dishwasher, appliances, and ceiling fan.

Borrower and Proposed Ownership Structure

WHCHC is the developer and will form a Limited Partnership. The Limited Partnership will consist of Third Thyme, LLC as Managing General Partner with WHCHC as the Initial Limited Partner. Ownership structure will consist of the following:

1. Third Thyme, LLC as Managing General Partner (0.01%)
2. WHHC as Initial Limited Partner (99.99%)

Population Served

The population served by the project will be homeless individuals, chronically homeless individuals, and low-income seniors. Fifty-two units (52) will be reserved for formerly homeless individuals (PSH). Of these fifty-two 52 PSH units, 26 will be further reserved for chronically homeless seniors.

Affordability Structure

Unit Type	20% AMI	50% AMI	Mgr	Total
1- Bdrm	52	50	2	104
2 Bdrm	0	0	0	0
Total	52	50	2	104

Permanent Funding Sources

Permanent	Total Sources	Per Unit	% Total
LAHD AHMP	\$ 9,500,000	\$ 91,346	20%
Permanent Funding Loan	11,700,000	112,500	24%
LACDA	3,000,000	28,846	6%
GP Equity	100	1	0%
Deferred Developer Fee	407,156	3,915	1%
Tax Credit Limited Partner Equity	23,750,000	228,366	49%
TOTAL	\$48,357,256	\$464,974	100%

Funding Uses

Uses of Funds	Total Uses	Cost/Unit	% TDC
Acquisition Costs	\$ 3,940,000	\$ 37,885	8%
Construction Hard Costs	31,884,210	306,579	66%
Architecture & Engineering	1,580,000	15,192	3%
Construction Interest Fees and Expenses	2,586,500	24,870	5%
Permanent Financing Costs	147,000	1,413	0.30%
Total hard & Soft Contingency Costs	1,744,211	16,771	4%
Legal Costs	215,000	2,067	0.44%
Capitalized Reserves	1,222,870	11,758	3%
Permits and Local Fees	724,000	6,962	1%
Developer Fee	2,200,000	21,154	5%
Other Project Costs	2,113,465	20,323	4%
TOTAL	\$48,357,256	\$464,974	100%

Funding Recommendation

An LAHD funding commitment of up to \$9,500,000 is recommended. LAHD funds will represent a cost of \$91,346 per unit and 20% of the total development cost. LAHD funding is 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