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March 6, 2023

Council File: 15-0087-S9
Council District(s): Citywide
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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: REQUEST FOR APPROVAL OF THE CITY'S RECOMMENDED PROJECTS TO BE CO-APPLICANTS IN THE STRATEGIC GROWTH COUNCIL'S ROUND 7 AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC) PROGRAM

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) through this transmittal seeks approval, and requests authority to approve the list of proposed co-applicants for Round 7 Affordable Housing and Sustainable Communities (AHSC), authorize the General Manager of LAHD or designee to execute Joint Application Agreements, sign all required AHSC documents, lead the AHSC coordination with the City team, prepare Controller's instructions and instruct the Chief Legislative Analyst (CLA) to prepare a Resolution for the City Council and the Mayor.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. Approve the recommended list of potential co-applicants as outlined in Table 1;
 - B. Authorize the LAHD General Manager, or designee, to execute, on behalf of the City, a Joint Application Agreement, to sign all required AHSC Round 7 application legal documents for each of the projects selected by the AHSC City team that meet AHSC program thresholds and adopted City criteria (CF 15-0087-S9), subject to the City Attorney approval as to form and legality;
 - C. Direct the General Manager of LAHD, or designee, in coordination with the Department of Transportation (LADOT), Department of Public Works Bureaus of Engineering (BOE), Street Lighting (BSL), Street Services (BSS), and other City Departments, as necessary, to report back

on the acceptance of AHSC Sustainable Transit Infrastructure (STI) and/or Transit Related Amenities (TRA) AHSC grant funding soon after the issuance of awards in August 2023. The report shall include, but not limited to, the following: recommended administration and distribution of funds processed, framework implementation of STI/TRA projects as awarded and approved by the SGC, completion of timelines, and recommended agreements among the appropriate City departments for the successful coordination, process and completion of AHSC STI/TRA grant funded projects;

- D. Authorize the General Manager of LAHD, or designee, to prepare Controller instructions and any technical adjustments consistent with the Mayor and City Council actions related to this matter, subject to the approval of the City Administrative Officer (CAO), and request the Controller to implement these instructions;
- E. Instruct the CLA to prepare a Resolution for City Council approval in support of the final AHSC Round 7 recommended projects that the City will partner with as a joint applicant.

AHSC ROUND 7

Release of NOFA and Submission Deadline

The AHSC program is a competitive state funding program with the primary objective to reduce greenhouse gas (GHG) emissions by providing funding for affordable housing development, sustainable transportation improvements, and programs that encourage residents to walk, bike, and use public transit.

The California Strategic Growth Council (SGC) released its Round 7 Notice of Funding Availability (NOFA) on January 30, 2023 for an amount of approximately \$750 million. The application submission date is April 4, 2023.

Project Evaluation Process and Recommended Projects

The City AHSC team implemented a local review process using the City's selection criteria to identify potential AHSC co-applications, as detailed in the previous transmittal dated August 23, 2022 (CF 15-0087-S9). Successful projects are defined as those that substantially reduce GHG emissions by increasing access to affordable housing, employment centers, and key destinations through sustainable infrastructure projects.

The City held a virtual AHSC Round 7 Developers Kick-Off Meeting on August 30, 2022. The meeting was attended by 90 participants, including developers, City and County staff, and other stakeholders. The City's AHSC team, Enterprise Community Partners, Los Angeles County, and SGC staff presented on the key items of threshold requirements, application process and timelines, and the City's selection criteria. The City of Los Angeles Call for Projects online form was released to developers at the Kickoff Meeting with a submission deadline of September 16, 2022. The City received a total of 18 interested applicants and after an initial review, 7 projects were invited to attend one-on-one Developer Clinic sessions at City Hall on November 30, 2022.

Based on the information and answers gathered at the developer clinic sessions, the City AHSC team is recommending 4 projects to become co-applicants with the City for Round 7 AHSC. Table 1 below identifies the recommended projects.

Table 1

Project Name	Address	Developer	Affordable Units	Public Resource	CD
Downtown Womens Center Campus Expansion	501 E 5th St, 90013	GTM Holdings, LLC	97	City Land	14
HHH New Hampshire	701 S New Hampshire, 90005	BRIDGE Housing Corporation	93	HHH	10
Richman Crenshaw Crossing	3510 W Exposition Blvd, 90016	La Cienega LOMOD, Inc	176	Metro Land	10
306 E Washington	306 E Washington, 90015	Hollywood Community Housing Corporation	102	AHMP	9

Impact of Transit Ridership Decline on Round 7 Applications

The City has been utilizing an effective strategy to obtain maximum points for GHG reductions in prior AHSC rounds through the acquisition of new DASH and Commuter Express buses. Unfortunately, circumstances tied to the recent COVID-19 pandemic have introduced systemic stress that have increased the costs of capital, operations, and most importantly, changes in travel demand due to telecommuting and safety concerns that have reduced transit's ridership base. These systemic stresses have led to uncertainty if the City can afford to operate the Transit Service Analysis (TSA) service levels that have informed ridership projections in the AHSC quantification methodology.

The City did submit public comment regarding this concern in response to the Round 7 Draft Guidelines (CF 15-0087-S10) recommending the SGC keep the High Quality Transit definition from Round 6 in which the Peak Period headway frequency schedule could be recorded anytime between January 2020 and the time of application. The proposed change was a new effective date as of January 2022 and the City expressed it could unintentionally penalize transit operators who have been unable to restore service to pre-pandemic levels. The SGC did not agree with the City and elected to keep the new date for Round 7.

The City is now exploring other options with LA County Metro to achieve the transit GHG reductions through the purchase of new Metro buses for all projects.

Joint Application Agreements (JAAs) and Cooperative Agreements

In preparation for the April 4th application deadline, the City is required to self-certify its role as a joint applicant and its intention to enter into an agreement that clarifies the responsibility borne for specific portions of the award. Thereafter, the City and the related City departments will work with each project developer to develop contractually binding indemnification agreements that address joint and several liabilities as well as funding administration and overall responsibilities. Because each project's structure is unique, there is no state template for this type of agreement; thus, the City will elect to assume the acceptance of STI-TRA grant funds, administration, implementation and completion of STI-TRA projects, and comply with the funding reporting requirements.

The JAAs will clearly outline the City's role for the STI-TRA as well as the developer's role with respect to the entire project. In addition, new funding to create or expand anti-displacement programs is available for AHSC Round 7. The funding will be valuable to expand the City's Anti-Displacement Strategies, Program 122 from the Housing Element. The disbursement and responsibility of anti-displacement program funding to the City will be included in the JAAs.

It is important to note that per the program guidelines, all applicant parties are and/or remain jointly and severally liable for the overall successful completion of the entire project, including the housing and transportation infrastructure components. Per the City's AHSC application criteria, the JAAs and all necessary legal documents must be completed and executed with the City before the final applications are submitted to the SGC.

For this round, the JAA for Richman Crenshaw Crossing will also require a consent signature from the Housing Authority of the City of Los Angeles (HACLA) because of their ownership stake in the project. In addition, Cooperative Agreements will be executed between the City and Metro for the acquisition of buses for each of the projects.

STI-TRA Project Financing for AHSC Rounds 3 through 6

The Bureau of Engineering (BOE) completed a thorough re-examination of the projected STI-TRA soft-cost funding gaps for Rounds 3 through 6, as identified in the CAO's report dated September 9, 2022 (CF 15-0087-S8), and determined there is no longer a soft cost funding gap.

The BOE in a recent interdepartmental correspondence (attached) reported the project delivery cost projections where updated by incorporating recent estimates provided by various departments and found no indication of a soft costs funding gap, provided that the expectation for City staff labor cost reimbursement is limited to base labor and Compensated Time Off (CTO).

However, the BOE does share that considering recent industry trends and construction cost escalation, funding gaps on construction may be expected. The BOE has updated project cost estimates and submitted requests for additional funding on respective Round 3 and 4 projects through the FY 2023-2024 Budget. The BOE will continue to monitor trends, update estimates, and coordinate with partners on funding needs as projects progress and more information becomes available.

CONCLUSION

We request the City Council to approve the four recommended projects to become co-applicants with the City for AHSC Round 7 program funding. The City AHSC team is working diligently to overcome the current challenges of Round 7 to obtain the necessary points and develop competitive applications for each recommended project. Because of a tight timeline with the submission date of April 4, 2023, we ask for the City Council's support in expediting the approval process and adoption of a City Resolution to move forward with executing the Joint Application and Cooperative Agreements.

FISCAL IMPACT

Approval of the recommendations in this transmittal will have no impact on the General Fund.

Approved By:

A handwritten signature in cursive script, appearing to read "Ann Sewill", written in black ink.

ANN SEWILL
General Manager
Los Angeles Housing Department

Attachments

BOE AHSC Interdepartmental Correspondence

FORM GEN. 160 (Rev. 11-02)

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: February 23, 2023

To: Street and Transportation Projects Oversight Committee
Matthew W. Szabo, Office of the City Administrative Officer (CAO), Chair
Diego de la Garza, Office of the Mayor
Sharon M. Tso, Office of the Chief Legislative Analyst (CLA)

From: Arsen Voskerchyan, P.E., Division Manager
Street Improvement Division
Bureau of Engineering



Subject: **UPDATE ON COST PROJECTIONS FOR AFFORDABLE HOUSING AND
SUSTAINABLE COMMUNITIES (AHSC) GRANT PROJECTS**

RECOMMENDATION

Receive and file.

DISCUSSION

The Bureau of Engineering (BOE), in coordination with the Los Angeles Department of Transportation (LADOT), has updated project delivery cost projections for AHSC Rounds 3 through 6 by incorporating recent estimates provided by various departments. Previously, significant funding gaps were projected for project delivery, or soft costs. The updated projections do not indicate a soft cost funding gap, provided that the expectation for City staff labor cost reimbursement is limited to base labor and Compensated Time Off (CTO).

However, considering recent industry trends and construction cost escalation, funding gaps on construction costs may be expected. The BOE has updated project cost estimates and submitted requests for additional funding on respective Round 3 and 4 projects through the FY 2023-2024 Budget. The BOE will continue to monitor trends, update estimates, and coordinate with partners on funding needs as projects progress and more information becomes available.

If you have questions or require additional information, please contact me at Arсен.Voskerchyan@lacity.org.

AV/av

cc: David Hirano, City Administrative Office
Maria Souza-Rountree, City Legislative Office
Julie Sauter, Bureau of Engineering
Carlos Rios, Los Angeles Department of Transportation