



Eric Garcetti, Mayor  
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## **INTER-DEPARTMENTAL MEMORANDUM**

**TO:** PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE

**FROM:** ANN SEWILL, GENERAL MANAGER *ansewill*

**LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT**

**DATE:** APRIL 9, 2021

**REGARDING:** SITE APPROVAL AND AUTHORITY TO ISSUE PROPOSITION HHH PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM COMMITMENTS

### **SUMMARY**

On May 9, 2019, the Mayor's Office and HCIDLA issued the Proposition HHH Housing Challenge Request for Proposals (RFP). On October 16, 2019, the Mayor and City Council authorized HCIDLA to enter into a Memorandum of Understanding (MOU) with each of the six development teams selected through the RFP. These Memoranda were executed by the development teams on January 10, 2020.

As part of the October 16, 2019, action (C.F No. 17-0090-S4), the City Council requested that HCIDLA within 180 days after development teams secured site control to return with the individual projects for approval of a projects' final terms.

Two previous actions were passed to approve the first twelve sites under this program (C.F. No. 20-0388). Now, one of the six selected development teams have secured site control of two additional sites. HCIDLA is seeking approval for these sites prior to negotiating the conditional funding commitment.

Staff reports for the new sites is attached to this memorandum (Attachment A).

## **RECOMMENDATIONS**

- I. The General Manager of HCIDLA respectfully requests that the Proposition HHH Citizens Oversight Committee (COC) recommend to the Proposition HHH Administrative Oversight Committee (AOC), for further consideration by the City Council and the Mayor, to address the following actions:
  - A. APPROVE the site selection for the Proposition HHH Housing Projects at the addresses and within the Council districts listed in Table 1;
  - B. AUTHORIZE the General Manager of HCIDLA, or designee, to issue conditional financial commitments for three Proposition HHH Housing Challenge projects with each project's address as listed in Table 1;
  - C. AUTHORIZE the General Manager of HCIDLA, or designee to negotiate acquisition/ predevelopment/ construction/ permanent loan agreement for the applicable projects identified in Table 1, subject to the satisfaction of all conditions and criteria contained in the HHH Housing Challenge RFP, this transmittal, and the HCIDLA Award Letter (if applicable), subject to the following condition:
    - i. HHH financial project commitments are subject to review and approval by the Proposition HHH Citizens Oversight Committee and the Administrative Oversight Committee before recommendations are forwarded to City Council and Mayor.

## **BACKGROUND**

As recommended by the Proposition HHH Citizens Oversight Committee (COC) and Administrative Oversight Committee (AOC), the Mayor and City Council authorized a set-aside of up to \$120 million of Proposition HHH bond authorization to issue the Housing Challenge RFP, with the goal of identifying alternative housing typologies and/or innovative financial models to produce 1,000 new supportive housing units. The highest-ranking proposals would reduce the typical cost and time of development, while offering a model that could be scaled and replicated. Specifically, this program set out to fund proposals that clearly respond to the urgency of the City's homelessness crisis.

Six development teams were awarded a total of \$120 million for the construction of 975 new units of supportive housing (1,001 units inclusive of manager units). Among the six HHH Housing Challenge development teams, there will be an estimated 17 project sites. Per the terms of the MOUs effective January 10, 2020, developers must secure all remaining financing within 12 months of site approval (the site approval was originally set for four months after MOU execution) and projects must be complete with construction within 18 months of the loan agreement execution (subject to tolling as directed by the Mayor).

On April 17, 2020, Mayor Garcetti issued a public notice, which tolled and suspended until further notice all deadlines related to financing and predevelopment activities necessary to develop or rehabilitate affordable and supportive housing (primarily driven by COVID 19).

Construction starts for the transactions in this memo begin during November of 2022. The delays are COVID related but there are other factors contributing to the delay including:

- 1) HCD signaled that future NOFAs may be delayed;
- 2) Uncertainty around No Place Like Home (NPLH) funding and the availability of Vouchers;
- 3) In addition, investors are indicating credit pricing reductions and limited interest in new business relationships for 2021.

On May 12, 2020, the first seven sites under this program were approved. On September 2, 2020, an additional five sites under this program were approved; subsequent approvals occurred in December of 2020 (a single site) and February 2021 (a single site). Each of the developers of the aforementioned projects continue to move their projects forward through the development process.

As referenced on Table 1, at this time one of the six Housing Challenge developers has obtained site control on an additional 3 project sites and are requesting a project-specific conditional commitment and authority to begin negotiating the HHH loan agreements with HCIDLA. The estimated average total development cost per unit for these recommended projects is \$463,137. If the recommendations of this report are accepted, these potential projects represent a net increase of 239 units of Supportive Housing (SH) under the Housing Challenge Program. This would bring the total Permanent Supportive Housing units approved under the program to 952. These transactions represent an average \$105,126 per PSH unit and 69% of the average total development cost of \$36,324,921.

Table 1

Lead Developer	Project Address	Council District	Unit Mix	Total PSH Units	HHH Contribution	HHH Contribution per PSH Unit	TDC	TDC per Unit
Abode/Mercy/LA Family Housing	25820 Western Ave.	15	77 studios 1 2-br (mgr)	77	\$8,094,665	\$105,126	\$36,679,381	\$470,248
Abode/Mercy/LA Family Housing	18722 Sherman Way	3	63 studios 1 2-br (mgr)	63	\$6,622,908	\$105,126	\$29,290,120	\$457,658
Abode/Mercy/LA Family Housing	21300 Devonshire St.	12	99 studios 1 2-br (mgr)	99	\$10,407,427	\$105,126	\$43,005,263	\$430,053
Total/Average				239	\$25,125,000	\$105,126	\$36,324,921	\$452,653

## **FISCAL IMPACT**

There is no impact to the General Fund.

## **ATTACHMENTS:**

Attachment A: Proposition HHH Housing Challenge Staff Report

**STAFF REPORT**  
**As of: April 9, 2021**

**Western Ave PSH**  
**25820-25890 S. Western Ave**  
**Harbor City, CA 90710**

**New Modular Construction**  
**Council District 15**

**PROGRAM DESCRIPTION**

Abode Communities, Mercy Housing and LA Family Housing (collectively, “the Collaborative”) have been awarded a Proposition HHH Reservation award of \$40 million. The Collaborative’s program works to develop supportive housing faster and at a lower cost by standardizing modular design, cutting entitlement time, utilizing a financing plan with modular construction in mind, and demonstrating cost savings with replicable modular construction. The collaboration will build 100% permanent supportive housing projects with no less than 360 units (including manager units not funded by HHH proceeds).

**PROJECT DESCRIPTION**

Western Ave PSH (developed by Abode Communities), located at 25820 S. Western Ave in the Harbor City neighborhood of Los Angeles, will be a supportive housing development consisting of 77 affordable housing units for people experiencing homelessness and 1 manager unit. The 35,000 SF development will offer indoor and outdoor communal space and Resident Services programming which will provide much-needed support services to residents. The building construction will be Type V, with 3-to-4-stories of stacked modular units over slab on grade (or a podium, if needed to meet the site’s spatial requirements).

The developer will partner with L.A. Family Housing (LAFH) to provide case management services to its residents. LAFH has a long history of providing wrap around services for homeless and chronically homeless individuals. Abode Communities will provide property management staffing and services.

The Project will be located on three contiguous parcels of land totaling 35,892 square feet. Currently, the Project site is improved with two separate structures occupied by seven commercial tenants in total – one retail building with six commercial tenants on month-to-month terms, and another structure with a restaurant also on a month-to-month lease. The Project will ensure that it meets all federal, state, and local requirements for commercial relocation of these seven tenants and has incorporated preliminary relocation cost assumptions into the development budget.

The Project is located in Council District 15 and is currently zoned C2 (commercial) which allows for multifamily residential development. However, there is a Q condition that limits the site density to RD1.5. Based on an initial review, Abode Communities staff anticipates utilizing density and design incentives available under the City of Los Angeles’ Qualified Permanent Supportive Housing Ordinance (QPSHO). In addition to enabling substantially higher density than a RD1.5 designation would normally provide, it is expected that the QPSHO will provide a CEQA exemption, allowing the project to proceed by-right directly to the plan check and permitting process.

In considering off-site modular construction, the Project will require an earlier payment because a) the factory needs to reserve space in its production schedule in advance, and b) the units are built earlier in the construction process so that they can be delivered complete to the site as soon as the site-built work (foundation, parking, podium, etc.) is finished. As a result, 25% of the overall module cost will be due as deposits during the predevelopment period. In order to pay these significant upfront deposits, the Project will utilize funding from a proposed Revolving Construction Loan Fund (RCLF).

### POPULATION SERVED

Formerly Homeless, Homeless, and chronically homeless individuals.

### AFFORDABILITY STRUCTURE

<b>Unit Type</b>	<b>30% AMI Units</b>	<b>50% AMI Units</b>	<b>60% AMI Units</b>	<b>Managers</b>	<b>Total Units</b>	<b>HHH PSH Funded</b>	<b>HHH Non-PSH Funded</b>
STUDIO	77				77	77	
1 Bedroom							
2 Bedroom				1	1		
3 Bedroom							
Total	77			1	78	77	

### PERMANENT FUNDING SOURCES

<b>PERMANENT</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Permanent Loan	\$5,153,900	\$66,076	14%
HCIDLA- HHH	\$8,094,665	\$103,778	22%
MHP	\$7,832,385	\$100,415	21%
Limited Partner Equity	\$14,112,851	\$180,934	38%
GP Equity	\$1,433,741	\$18,381	4%
Deferred Developer Fee	\$51,839	\$665	0%
<b>Total</b>	<b>\$36,679,381</b>	<b>\$470,248</b>	<b>100%</b>

### CONSTRUCTION FUNDING SOURCES

<b>CONSTRUCTION</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Construction Loan	\$20,589,702	\$263,971	56%
Taxable Construction Loan	\$4,105,281	\$52,632	11%
HCIDLA- HHH	\$8,094,665	\$103,778	22%
Limited Partner Equity	\$1,411,285	\$18,093	4%
GP Equity	\$100	\$1	0%
Deferred Costs	\$2,478,347	\$31,774	7%
<b>Total</b>	<b>\$36,679,381</b>	<b>\$470,248</b>	<b>100%</b>

## USE OF FUNDS

Uses	Total Uses	Cost/Unit
Acquisition Costs	\$3,665,000	\$46,987
Construction Costs	\$20,751,974	\$266,051
Soft Costs	\$8,328,666	\$106,778
Developer Fee*	\$3,933,741	\$50,433
<b>Total</b>	<b>\$36,679,381</b>	\$470,248

\* The gross developer fee \$3.9MM is \$2.5MM paid and \$1.4MM contributed back as GP Equity.

## CONSTRUCTION TIMELINE

Construction is currently estimated to start in November 2022 and anticipated to be completed by January 2024.

**STAFF REPORT  
As of: April 9, 2021**

**Devonshire PSH  
21300 Devonshire St.  
Los Angeles, CA 91311**

**New Modular Construction  
Council District 12**

**PROJECT DESCRIPTION**

Devonshire PSH (developed by L.A. Family Housing), located at 21300 Devonshire Street in the Chatsworth neighborhood of the City of Los Angeles, will be a supportive housing development consisting of 99 affordable housing units for people experiencing homelessness, plus one manager's unit. The 40,000 S.F. development will offer indoor and outdoor communal spaces and Resident Services programming which will provide much-needed supportive services to residents. The building construction will be Type V, with 3-stories of stacked modular units over a one-story Type I podium.

L.A. Family Housing (LAFH) will provide case management services to formerly homeless residents. LAFH has a long history of providing wrap around services for homeless and chronically homeless individuals and is the CES lead for the site's service planning area.

The 30,938 square foot site currently consists of two one-story commercial spaces with surface parking that will be vacated before construction and subsequently demolished. All applicable relocation regulations will be followed.

The project is located in Council District 12 and is currently zoned [Q]C2-2D. The Density Bonus Ordinance allows for an increase in density and height as well as minimized parking requirements for PSH units. Surrounding uses include apartment buildings, single story retail and single-family homes.

Off-site modular construction requires earlier payment by the Project because a) the factory needs to reserve space in its production schedule in advance, and b) the units are built earlier in the construction process so that they can be delivered complete to the site as soon as the site-built work (foundation, parking, podium, etc.) is finished. As a result, 25% of the overall module cost will be due as deposits during the predevelopment period. In order to pay these significant upfront deposits, the Project will utilize funding from a proposed Revolving Construction Loan Fund (RCLF).

**POPULATION SERVED**

Formerly Homeless, Homeless, and chronically homeless individuals.

## AFFORDABILITY STRUCTURE

<b>Unit Type</b>	<b>30% AMI Units</b>	<b>50% AMI Units</b>	<b>60% AMI Units</b>	<b>Managers</b>	<b>Total Units</b>	<b>HHH PSH Funded</b>	<b>HHH Non-PSH Funded</b>
STUDIO	75	24			99	99	
1 Bedroom							
2 Bedroom				1	1		
3 Bedroom							
Total	75	24		1	100	99	

## PERMANENT FUNDING SOURCES

<b>PERMANENT</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Permanent Loan	\$5,271,100	\$52,711	12%
HCIDLA- HHH	\$10,407,427	\$104,074	24%
MHP	\$11,295,299	\$112,953	26%
Limited Partner Equity	\$16,031,437	\$160,314	37%
Deferred Developer Fee	\$0	\$0	0%
<b>Total</b>	<b>\$43,005,263</b>	<b>\$430,053</b>	<b>100%</b>

## CONSTRUCTION FUNDING SOURCES

<b>CONSTRUCTION</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Construction Loan	\$28,742,175	\$287,422	67%
Taxable Construction Loan	\$492,638	\$4,926	1%
HCIDLA- HHH	\$10,407,427	\$104,074	24%
Limited Partner Equity	\$1,603,144	\$16,031	4%
Deferred Expenses	\$1,759,879	\$17,599	4%
Deferred Developer Fee	\$0.00	\$0	0%
<b>Total</b>	<b>\$43,005,263</b>	<b>\$430,053</b>	<b>100%</b>

## USE OF FUNDS

<b>Uses</b>	<b>Total Uses</b>	<b>Cost/Unit</b>
Acquisition Costs	\$5,226,500	\$52,265
Construction Costs	\$26,729,483	\$267,295
Soft Costs	\$8,549,280	\$85,493
Developer Fee	\$2,500,000	\$25,000
<b>Total</b>	<b>\$43,005,263</b>	<b>\$430,053</b>

## CONSTRUCTION TIMELINE

Construction is currently estimated to start in November 2022 and anticipated to be completed by November 2023.

**STAFF REPORT**  
**As of: April 9, 2021**

**Sherman Way PSH**  
**18722 Sherman Way**  
**Los Angeles, CA 91335**

**New Modular Construction**  
**Council District 3**

**PROJECT DESCRIPTION**

Sherman Way PSH (developed by L.A. Family Housing), located at 18722 Sherman Way in the Reseda neighborhood of the City of Los Angeles, will be a supportive housing development consisting of 63 affordable housing units for people experiencing homelessness. The 31,000 SF development will offer indoor and outdoor communal spaces and Resident Services programming which will provide much-needed supportive services to residents. The building construction will be Type V, with 3-stories of stacked modular units over a one-story podium.

L.A. Family Housing (LAFH) will provide case management services to formerly homeless residents. LAFH has a long history of providing wrap around services for homeless and chronically homeless individuals and is the CES lead for the site's service planning area.

The 30,021 square foot site of three contiguous parcels currently consists of a one-story commercial space with surface parking that will be vacated before construction and subsequently demolished. All applicable relocation regulations will be followed.

The project is located in Council District 3 and is currently zoned [Q]C2-1VL-CDO-RIO and [Q]P-1VL-CDO-RIO. The PSH Ordinance allows the project to move forward with unlimited density and no parking requirement for PSH units. Surrounding uses include apartment buildings, single story retail and single-family homes.

Off-site modular construction requires earlier payment by the Project because a) the factory needs to reserve space in its production schedule in advance, and b) the units are built earlier in the construction process so that they can be delivered complete to the site as soon as the site-built work (foundation, parking, podium, etc.) is finished. As a result, 25% of the overall module cost will be due as deposits during the predevelopment period. In order to pay these significant upfront deposits, the Project will utilize funding from a proposed Revolving Construction Loan Fund (RCLF).

**POPULATION SERVED**

Formerly Homeless, Homeless, and chronically homeless individuals.

### AFFORDABILITY STRUCTURE

<b>Unit Type</b>	<b>30% AMI Units</b>	<b>50% AMI Units</b>	<b>60% AMI Units</b>	<b>Managers</b>	<b>Total Units</b>	<b>HHH PSH Funded</b>	<b>HHH Non-PSH Funded</b>
STUDIO	48	15			63	63	
1 Bedroom							
2 Bedroom				1	1		
3 Bedroom							
Total	48	15		1	64	63	

### PERMANENT FUNDING SOURCES

<b>PERMANENT</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Permanent Loan	\$3,006,800	\$46,981	10%
HCIDLA- HHH	\$6,622,908	\$103,483	23%
LACDA - NPLH	\$4,340,000	\$67,813	15%
Limited Partner Equity	\$15,320,412	\$239,381	52%
Deferred Developer Fee	\$0	\$0	0%
<b>Total</b>	<b>\$29,290,120</b>	<b>\$457,658</b>	<b>100%</b>

### CONSTRUCTION FUNDING SOURCES

<b>CONSTRUCTION</b>	<b>Total</b>	<b>Per Unit</b>	<b>%Total</b>
Construction Loan	\$18,406,575	\$287,603	63%
Taxable Construction Loan	\$0	\$0	0%
HCIDLA- HHH	\$4,688,762	\$73,262	16%
LACDA - NPLH	\$4,340,000	\$67,813	15%
Limited Partner Equity	\$1,532,041	\$23,938	5%
Deferred Expenses	\$322,742	\$5,043	1%
Deferred Developer Fee	\$0.00	\$0	0%
<b>Total</b>	<b>\$29,290,120</b>	<b>\$457,658</b>	<b>100%</b>

### USE OF FUNDS

<b>Uses</b>	<b>Total Uses</b>	<b>Cost/Unit</b>
Acquisition Costs	\$4,141,500	\$64,711
Construction Costs	\$16,660,451	\$260,320
Soft Costs	\$5,988,169	\$93,565
Developer Fee	\$2,500,000	\$39,063
<b>Total</b>	<b>\$29,290,120</b>	<b>\$457,658</b>

**CONSTRUCTION TIMELINE**

Construction is currently estimated to start in November 2022 and anticipated to be completed by November 2023.