

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 14, 2020

CAO File No. 0220-05151-0237

Council File No. 20-0388

Council District: 15

To: Proposition HHH Administrative Oversight Committee

From: Richard H. Llewellyn, Jr., City Administrative Officer 

Subject: COMMUNICATION FROM THE PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE RELATIVE TO A REPORT FROM THE HOUSING AND COMMUNITY INVESTMENT DEPARTMENT REQUESTING SITE APPROVAL AND CONDITIONAL FUNDING COMMITMENT FOR PROPOSITION HHH HOUSING CHALLENGE PROJECT

RECOMMENDATION

That the Proposition HHH (Prop HHH) Administrative Oversight Committee (AOC) recommend that the Council, subject to approval of the Mayor:

1. Approve the site selection for the Prop HHH Housing Challenge Project at 1522 E. 102nd Street in Council District 15;
2. Authorize the General Manager of the Housing and Community Investment Department, or designee, to issue a conditional financial commitment for the Prop HHH Housing Challenge Project at 1522 E. 102nd Street in the amount of up to \$6,720,000; and
3. Authorize the General Manager of the Housing and Community Investment Department, or designee, to negotiate an acquisition/predevelopment/construction/permanent loan agreement for the Prop HHH Housing Challenge Project at 1522 E. 102nd Street, subject to the satisfaction of all conditions and criteria contained in the Prop HHH Housing Challenge Request for Proposals, the attached transmittal, and the Housing and Community Investment Department Award Letter (if applicable), subject to the following condition:
 - i. Prop HHH financial project commitments are subject to review and approval by the Prop HHH Citizen's Oversight Committee and the Prop HHH AOC before recommendations are forwarded to the City Council and Mayor.

SUMMARY

At its meeting on December 11, 2020, the Proposition HHH (Prop HHH) Citizens Oversight Committee (COC) considered the attached report from the Housing and Community Investment Department (HCID) relative to a site approval and conditional financial commitment for a Prop HHH Housing Challenge Project. The Prop HHH COC voted to forward the report to the Prop HHH Administrative Oversight Committee for consideration.

Attachment: Report from HCID regarding the Request for Site Approval and Conditional Financial Commitment for a Prop HHH Housing Challenge Project



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INTER-DEPARTMENTAL MEMORANDUM

TO: PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE
 FROM: ANN SEWILL, GENERAL MANAGER *as*
 LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT
 DATE: DECEMBER 2, 2020
 REGARDING: SITE APPROVAL AND AUTHORITY TO ISSUE PROPOSITION HHH
 PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM COMMITMENTS

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests that your office review and approve this request and forward it to the City Council for further consideration. Through this memorandum, HCIDLA requests site approval and authority to issue Proposition HHH Housing Challenge (HHH) conditional financial commitments in a total amount not to exceed \$6,720,000 for one project.

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 (6) development teams selected through the RFP (C.F. No. 17-0090-S4). These Memoranda were executed by the development teams on January 10, 2020.

As part of the October 16, 2019, approval, City Council requested that HCIDLA return to City Council for City Council's approval of an individual project site once a development team has secured site control.

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 has secured site control of an additional site. HCIDLA is seeking approval for this site prior to negotiating the conditional funding commitment.

Staff report for the new site 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 Project at the address and within the Council district listed in Table 1;
 - B. AUTHORIZE the General Manager of HCIDLA, or designee, to issue a conditional financial commitment for the Proposition HHH Housing Challenge project totaling a maximum of \$6,720,000 with the project's address and maximum project financial commitment as listed in Table 1; and,
 - C. AUTHORIZE the General Manager of HCIDLA, or designee to negotiate acquisition/ predevelopment/ construction/ permanent loan agreement for the applicable project 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 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 16 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 October 16, 2019, Council instructed HCIDLA to report back for approval within 180 days, for those projects that have secured site control

As a result of COVID-19, however, Mayor Garcetti issued a public notice on April 17, 2020 which tolled and suspended until further notice all deadlines related to financing and predevelopment activities necessary to develop or rehabilitate affordable and supportive housing. In an attempt to best meet the original program goals, on October 20, 2020, the Mayor's Office and HCIDLA notified each developer

within the Housing Challenge that they must secure site control, as defined in the Memorandum of Understanding, for any remaining Housing Challenge project site by December 31, 2020.

The first seven (7) sites under the RFP were approved on May 12, 2020. An additional five (5) sites under this program were approved on September 2, 2020 (C.F. No. 20-0388). Each of the developers of those projects is continuing to move their projects forward through the development process.

The construction start for the referenced transaction in this memo is targeted to begin in March 2022. Many of the delays are COVID related, but there are other factors contributing to the delay, including, but not limited to:

1. California Debt Limit Allocation Committee (CDLAC) signaled that 2020 allocation year and foreseeable allocation years will be competitive, due to limited private activity bond allocation needed for state infrastructure projects;
2. California Department of Housing and Community Development (HCD) signaled that future NOFAs may be delayed;
3. Uncertainty around the timing of local funding sources like No Place Like Home (NPLH) funding and rental subsidies; and
4. LIHTC credit pricing reductions due to economic impacts of COVID.

For City Council's consideration and as referenced on Table 1, a Housing Challenge developer obtained site control on the second of its two-site Housing Challenge strategy. New Hampshire PSH (at \$139,570 HHH per PSH Unit) received site approval in September 2020. The developer is 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 this recommended project is \$509,529 with a HHH amount of \$113,898 per PSH Unit. If the recommendations of this report are accepted, this project represents potentially 59 units of Supportive Housing (SH) under the RFP Program. Combined with the 661 units approved under C.F. 20-0388, this would bring the total Permanent Supportive Housing units approved under the RFP program to 720. These proposed 59 total units add to BRIDGE Housing's overall strategy target total of 140 total PSH units. Once New Hampshire and Watt are completed the total number of PSH units will exceed the strategy target of 140 PSH units (projected to be 152 PSH units).

Table 1

Lead Developer	Project Address	Council District	Unit Mix	Total PSH Units	HHH Contribution	HHH Contribution per PSH Unit	TDC	TDC per Unit
BRIDGE Housing	1522 E. 102nd Street	15	15 studios 21 1-br 3 2-br 1 2-br (mgr)	59	\$6,720,000	\$113,898	\$30,571,760	\$509,529
Total				59	\$6,720,000	\$113,898	\$30,571,760	\$509,529

FISCAL IMPACT

There is no impact to the General Fund.

Name: HHH Citizens Oversight Committee Report: Proposition HHH Housing Challenge Projects

Date: December 2, 2020

ATTACHMENTS:

Attachment A: Proposition HHH Housing Challenge Staff Report

As of: December 2, 2020

**HHH Watts
1522 E. 102nd Street
Los Angeles, CA 90002**

**Opportunity Zone Funding
Council District 15**

PROGRAM DESCRIPTION

BRIDGE Housing Corporation (BRIDGE) has been awarded a HHH Reservation of \$19.7 million to develop 140 supportive housing units in two projects (they are projected to deliver 152 units including this proposed 59-unit project). As described in its HHH Housing Challenge proposal, BRIDGE's program model focuses on the development of 140 units of 100% permanent supportive housing projects (in two projects) utilizing Opportunity Zone investment. The project will also be constructed using a light gauge steel framing product called Prescient, which will expedite the construction timeline. Prescient is expected to speed construction by reducing the framing time and allowing Mechanical, Electric, Plumbing (MEP) specialties to proceed simultaneously. Bridge typically anticipates 14 months for construction but are currently using a 13-month schedule, based on estimated efficiencies.

BRIDGE proposes to use Los Angeles County Development Authority's (LACDA) No Place Like Home (NPLH) funds, the State HCD Multifamily Housing Program in addition to Opportunity Zone investment, 4% tax credits, and tax-exempt bonds.

PROJECT DESCRIPTION

HHH Watts, located at 1522 E. 102nd Street in Watts, will consist of 3 stories of supportive housing development consisting of up to 60 total units with up to 59 supportive housing units for individuals and families experiencing homelessness. The non-affordable unit will be reserved as a manager's unit. The 50,000 SF project will have 12 surface parking spaces for management and services staff.

The 43,714 square foot site is currently owner-occupied by two 1-story commercial buildings that will be vacated before construction and subsequently demolished. All applicable relocation regulations will be followed. Overland, Pacific and Cutler (OPC) has been hired to ensure compliance with relocation laws.

Surrounding uses include a public library to the east, single family residential to the north, and community serving organizations to the west and south. The project is located in Council District 15 is currently zoned C4-2D-CPIO and the Transit Oriented Communities Guidelines (TOC) designation is Tier 3. The developer expects to gain entitlements through the Permanent Supportive Housing (PSH) Ordinance.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The ownership structure will be a to-be-determined limited partnership, of which a BRIDGE Housing affiliate entity will be the General Partner A tax credit investor will assume the role of the Limited Partner at construction loan close. The future ownership structure - at tax credit closing - will consist of the following:

1. BRIDGE Housing Corporation or related entity, as Managing General Partner (0.01%)
2. Limited Partner, who has yet to be determined (99.99%)

POPULATION SERVED

The developer will partner with PATH to provide services to the residents. PATH has a long history of providing wrap around services for homeless and chronically homeless individuals.

UNIT MIX

	PSH Total	Non-PSH	Manager	Total
Studio	15			15
1 Bedroom	21			21
2 Bedroom	17		1	18
3 Bedroom	6			6
Total	59		1	60

PROPOSED FUNDING SOURCES

	Construction	Permanent
Bank Loan	\$16,567,209	\$4,156,000
HHH	\$6,048,000	\$6,720,000
MHP		\$5,025,000
LACDA/NPLH	4,230,000	4,700,000
4% Tax Credit	\$558,640	\$8,257,601
OZ Equity	\$800,000	\$800,000
GP Equity/Excess Fee (contributed back to Project)		\$753,102
Deferred Fee		\$160,057
Deferred Costs	\$2,367,911	
Total	\$30,571,760	\$30,571,760

PROPOSED DEVELOPMENT USES

	Amount
Acquisition	\$2,800,000
Construction	\$ 18,833,678
Soft Costs	\$5,845,037
Developer Fee	\$2,339,943
GP Equity/Excess Fee (contributed back to Project)	\$753,102
Total	\$30,571,760 (\$509,529 per unit)

FUNDING RECOMMENDATION

BRIDGE Housing Corporation is requesting \$6.72 million of their total \$19.7 million HHH Housing Challenge Reservation. This represents up to \$113,898 per supportive housing unit and 22% of the total development cost of \$30,571,760. The total development cost per unit is \$509,529. HHH funding is leveraged with Opportunity Zone investment, 4% tax credit equity, LA County Funding, No Place Like Home, the HCD Multifamily Housing Program (MHP) and a conventional bank loan. The developer will pursue project-based vouchers through the Housing Authority of the City of Los Angeles (HACLA).

CONSTRUCTION TIMELINE

Construction is currently estimated to start in March 2022 and anticipated to be completed by April 2023. The development team will be applying for 4% tax credits in September 2021.