



Housing Development Bureau
 1200 West 7th Street, Los Angeles, CA 90017
 tel 213.808.8638 | fax 213.808.8610
 hcidla.lacity.org



Eric Garcetti, Mayor
 Ann Sebill, General Manager

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).

Name: HHH Citizens Oversight Committee Report: Proposition HHH Housing Challenge Projects
Date: December 2, 2020

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.

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.