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HOUSING+COMMUNITY
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Eric Garcetti, Mayor
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March 5, 2018

Council File: C.F. #**13-0303**
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Honorable Eric Garcetti
Mayor, City of Los Angeles
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Attention: Mandy Morales,
Legislative Coordinator

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Adam Lid,
Legislative Assistant

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORIZATION TO AMEND THE EXISTING FUNDING COMMITMENTS FOR THREE AFFORDABLE HOUSING MANAGED PIPELINE PROJECTS

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to amend the existing funding commitments for three projects currently in HCIDLA's Affordable Housing Managed Pipeline (AHMP). In addition, the HCIDLA requests authority to implement the recommendations contained in this report related to the affordable housing projects previously admitted into the HCIDLA's Managed Pipeline.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that the Mayor and City Council:

I. Authorize the HCIDLA's General Manager, or designee, to issue revised funding Commitment Letters for each applicable project identified in Table 1 of this report, subject to the following conditions:

   a. The final funding commitment will not exceed the amount listed;
   b. The disbursement of HCIDLA funds will occur only after the sponsor obtains other enforceable commitments to assist in covering the funding gap.

II. Authorize the HCIDLA's General Manager, or designee, to negotiate and execute acquisition/ predevelopment/ construction/ permanent loan agreements with the legal owner of each project identified in Table 1 of this report, subject to the satisfaction of all conditions and criteria contained in the HCIDLA Pipeline application, this transmittal, and the HCIDLA Award Letter (if applicable), subject to review and approval of the City Attorney as to form.

III. Authorize the HCIDLA's General Manager, or designee, to execute Subordination Agreements for each of the projects identified in Table 1 of this report, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally funded construction and permanent loans, as required.

IV. Authorize the HCIDLA's General Manager, or designee, to allow the transfer of the City's financial commitment to a limited partnership or other legal entity formed solely for the purpose of owning and operating the project in accordance with City and Federal requirements.

V. Authorize the HCIDLA's General Manager, or designee, to negotiate and execute amendments and reconveyances, to the existing loan agreements and any other applicable documents, related to the Arminta Square Apartments. Revisions will include but are not limited to: 1) allow the change in general partner, 2) receive payment in the amount of \$2,600,000, 3) amend and reconvey the existing regulatory agreements, 4) negotiate and execute a new regulatory agreement.

VI. Authorize the HCIDLA's General Manager, or designee, to write off the loan loss from the Arminta Square Apartments CDBG Permanent Accrued Interest loan, in the approximate amount of \$590,000.

VII. Authorize the Controller to:

   1. De-obligate/ Decrease and Obligate the AHMP projects as follows:

De-obligate/ Decrease	**FUND**	**ACCOUNT**	**AMOUNT**
Cielito Lindo Apartments II	55J	43N395	$450,000

Obligate:	FUND	ACCOUNT	AMOUNT
Cielito Lindo Apartments II	561	43P008	$2,050,000.00
West Angeles City Place Sr Housing	561	43P008	$1,400,000.00
The Fiesta (fka Campus at LA Family Housing)	561	43P008	$1,000,000.00
Total			$4,450,000.00

VIII. Authorize the HCIDLA's General Manager, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with Mayor and City Council action on this matter, subject to approval of the; (1) City Administrative Officer (CAO), and (2) City Attorney as to form and legality, and instruct the Controller to implement the instructions.

BACKGROUND

HCIDLA established the Affordable Housing Managed Pipeline (AHMP) in 2013. Per AHMP regulations, projects are selected through an application process and are then admitted into the AHMP. Once admitted, projects apply for additional funding in order to leverage the HCIDLA funds and successfully compete for Low Income Housing Tax Credits (LIHTC) with the California Tax Credit Allocation Committee (CTCAC). The LIHTC program is very competitive and projects must be able to apply and receive full maximum points in order for them to be successful. Part of the LIHTC scoring system involves the ability to close construction financing within 180 or 194 days of the LIHTC award. The West Angeles City Apartments has a closing deadline of March 19, 2018 and the Cielito Lindo Apartments has a closing deadline of April 2, 2018.

Subsequent to a CTCAC award, developers will start the process of obtaining final construction bids and obtaining final tax credit pricing. Coincidently, in December 2017, Congress passed the Tax Cuts and Jobs Act, which resulted in major tax reform. Passage of the Act negatively affected the tax credit pricing, which decreased the amount of investor equity a project could secure. This, along with marked increases in construction materials and overall construction costs, created new funding gaps on the projects that were in the process of finalizing their final costs.

HCIDLA diligently worked with the developers of the affected projects, listed in Table 1 below, to overcome these funding gaps via various methods, including, a) value engineering the proposed scope of work; b) increasing the amount of private bank loans; and c) deferring other development costs. Even with these changes, the projects still show significant funding gaps. In order to enable these projects meet the CTCAC closing and completion deadlines, HCIDLA recommends that supplemental funding assistance be provided to the following projects in the amounts in Table 1 below:

TABLE 1:
Supplemental Funding Assistance Recommendations

PROJECT NAME	CD	No. Units	No PSH Units	Existing HCIDLA Funds	New/ Additional HCIDLA Funds	TOTAL HCIDLA FUNDS
Cielito Lindo Apts Phase II	14	29	14	$450,000	$1,600,000	$2,050,000
West Angeles City Place Sr	8	70	7	$1,985,000	$1,400,000	$3,385,000
The Fiesta (fka Campus at LA Family Hsg)	6	50	49	$1,900,000	$1,000,000	$2,900,000
TOTAL		**149**	**70**	**$4,335,000**	**$4,000,000**	**$8,335,000**

Cielito Lindo Phase II Apartments

The Cielito Lindo Phase II Apartments is a proposed new construction project consisting of 29 affordable housing units. The project site was chosen due to its close proximity to the LA Metro Gold Line Soto Street Station. The 29 units will serve low and very low individuals and families. Fourteen of the 29 units will be set aside for the Transition Aged Youth population. The project has secured funding from the State of California Affordable Housing and Sustainable Communities (AHSC) program and federal LIHTC. The project has not yet started construction and is in the process of closing all construction financing. The increase in construction costs and change in tax credit pricing, as described above, have negatively impacted the initial project budget. Upon further due diligence by the developer they have determined that there remains a funding gap and have requested assistance from HCIDLA in filling the remaining funding gap.

West Angeles City Place Senior Apartments

The West Angeles City Place Senior Apartments is proposing 70 units of new construction. The project will target low income seniors and will dedicate a minimum of ten percent (10%) of the units to seniors who are at risk of becoming homeless. The property is located close to the future Metro Slauson & Crenshaw Station for the Crenshaw/LAX line. The strategic location of the project will provide seniors with convenient public transportation throughout Southern California. The project has not yet started construction, and is in the process of closing all construction financing. The increase in construction cost and the change to tax credit pricing, as described above, have negatively impacted the initial project budget. Upon further due diligence by the developer they have determined that there remains a funding gap, and have requested assistance from HCIDLA in filling the remaining funding gap.

The Fiesta (fka Campus at LA Family Housing)

The Fiesta, formerly known as Campus at LA Family Housing, entails the new construction of 50 units reserved for special needs homeless and chronically homeless individuals. The project previously received an HCIDLA loan in the amount of $1,900,000. In addition, the project also received funding from the Los Angeles County CDC, Affordable Housing Program funds from the Federal Home Loan Bank, and federal LIHTC. The Fiesta has experienced major changes during the construction phase. First, the stormwater infiltration system was revised at the request of the Los Angeles Department of Building and Safety (LADBS). Second, LADBS required changes to the off-site scope of work. Third, the Los Angeles Fire Department required the installation of a Distributed Antenna System, used to extend wireless coverage within the building structures and enable radios and cell phones to work regardless of their position within the building. Lastly, due to the critical construction delays, the project's completion schedule was delayed directly impacting the project's anticipated conversion to the permanent phase. These delays impacted the tax credit pricing, and in this case, triggered the negative adjuster negotiated with the tax credit investor. This caused a shortfall in the overall tax credit proceeds.

Additional actions related to projects in the HCIDLA Pipeline

Arminta Square Apartments

The Arminta Square Apartments was originally admitted into the AHMP in October of 2015. The project site consists of three adjacent parcels; one parcel contains an existing 18-unit multi-family building, another parcel contains a single family home and the third parcel is a vacant lot. The multi-family building was rehabilitated after the Northridge earthquake using HOME Investment Partnerships Program (HOME) funds and Community Development Block Grant (CDBG) funds. In 2006, as part of a financing work-out plan, the CDBG loan was bifurcated and a new loan was executed for the accrued interest amount, creating three loans for the project. All three existing loans are now in default and the new Arminta Square Apartments project was proposed as a way to bring the project into compliance, and to facilitate the construction of new units; substantially increasing the total affordable unit count for the project. The AHMP application, submitted by Arminta Square, LP., proposed to demolish the existing buildings and relocate the remaining tenants. The application also included a financing plan that included 4% LIHTC and tax-exempt bonds.

The project's existing general partner has been unable to secure additional leveraged funding sources, thus the project has failed to reach the required project milestones. At this time, the existing general partner is requesting approval to allow the sale and transfer of the property with a change in the proposed financing terms. Such changes would allow the project to move forward and provide critical affordable units to families as well as permanent supportive housing in the city. The new proposed general partner will be Meta Housing Corporation (or an affiliate to be approved by HCIDLA), who has substantial experience with the construction of affordable housing. By partnering with the Los Angeles County Department of Health Services (DHS), the project will receive operating subsidy for 45 units that will be designated for permanent supportive housing. DHS will also provide wrap-around services to the project and its supportive housing residents.

The revised financing terms propose no direct financing from the City, except for a portion of the City's 9% LIHTC allocation. Further, the proposal includes a payment of $2,600,000 to be applied towards the total payoff of both the existing HOME loan and the original CDBG loan, and will partially pay-off the CDBG accrued interest loan. Additionally, the balance of the accrued interest loan (currently accruing at the default rate) will be written-off by HCIDLA to offset the significant holding costs related to the projected acquisition loan interest and the upfront costs of the building permits in order to avoid the expiration of the entitlements.

Therefore, in order to move the Arminta Square Apartments project forward, HCIDLA proposes to:

1) allow the project to stay in the AHMP with a change in the financing proposal to a hybrid structure between a 9% LIHTC transaction, alongside a 4% LIHTC and tax-exempt bonds transaction;

2) allow the sale and transfer of the existing Arminta Square Apartments;

3) receive payment in the amount of $2,600,000 to pay-off the HOME and the original CDBG loans, and partially pay-off the CDBG accrued interest loan;

4) approve a loan write-off of the balance of the CDBG accrued interest loan consisting of accrued interest only, currently estimated at approximately $590,000;

5) allow the use of the California Housing Finance Agency as the tax-exempt bond issuer in order to expedite the tax-exempt bond timeline; and

6) release and reconvey all existing regulatory agreements and record one new City regulatory agreement that will restrict a total of 17 units (5 units at 50% AMI, 4 units at 60% AMI, 4 units at 80% AMI and 4 units at 120% AMI), with the remaining units restricted to 60% AMI or below through the LIHTC regulatory term.

FISCAL IMPACT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to fund a total of 149 affordable housing units, and issue commitments utilizing allocations from federal HOME entitlement and program income funds. HCIDLA anticipates HOME fund commitments will total $8,335,000.

Prepared by:

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Approved by:

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General Manager

Attachment A: Staff Reports

ATTACHMENT A

Staff Reports

STAFF REPORT
February 21,2018

Cielito Lindo Apartment - Phase II
2423-2431 E. 1st Street
Los Angeles, CA 90033

New Construction
Council District No: 14

PROJECT DESCRIPTION

The Cielito Lindo Apartments - Phase II development is a proposed new construction of 29 affordable housing units with an approximate square footage of 34,600. The project will be located at 2423 – 2431 E. 1st Street, Los Angeles, 90033 in the Boyle Heights community. The site was chosen due to its close proximity to the LA Metro Goldline Soto Street Station. The 29 affordable units will consist of 12 studios, 7 one bedroom, 2 two bedroom, 7 three bedroom, and 1 two bedroom manager's unit. The units will serve low and very low individuals and families earning between 30% and 50% of AMI. 14 of these units are being set aside for homeless, Transition Aged Youth (TAY) population.

The property will be energy efficient and LEED certified. The common spaces feature a 760 square foot community room, a tenant services office, a supportive services office, a 1,585 square foot landscaped central courtyard, on-site underground parking, laundry facilities, a 455 square foot community garden, and storage space. Other features include storage and parking for 32 bicycles and outlets for low-emission/electric vehicles.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project site is currently owned by the East LA Community Corporation (ELACC). Cielito Lindo Apartments – Phase II, LLC will become the General Partner of the Cielito Lindo Apartments – Phase II, L.P. East LA Community Corporation will become the sole Managing Member of Cielito Lindo Apartments – Phase II, LLC.

PROJECT FINANCE SUMMARY

The proposed financing is comprised of tax credit equity from the sale of 9% Low Income Housing Tax Credits (LIHTC), funds from the California Department of Housing and Community Development (HCD) Affordable Housing and Sustainable Communities Program (AHSC) and conventional financing. The project has received an operating subsidy in the form of Project-Based Section 8 Vouchers from the Housing Authority of the City of Los Angeles (HACLA) for 14 units.

PERMANENT FUNDING SOURCES

Source	Current: Amount	Previous: Amount
Conventional Loan	566,500	291,800
HCD AHSC AHD Loan	948,153	948,153
HCD AHSC HRI Grant	1,537,287	1,537,287
Deferred Developer Fee	232,914	139,047
Deferred Interest	164,000	100
HCIDLA – HOME (prev CRA)	2,050,000	450,000
Tax Credit Equity	12,948,352	12,061,073
Total	**$18,447,206**	**$15,427,460**

AFFORDABILITY STRUCTURE

Unit Type	30% AMI	40% AMI	50% AMI	60% AMI	Mgrs.	Total
Studio	12	0	0	0	0	12
1 Bedroom	4	1	2	0	0	7
2 Bedroom	2	0	0	0	1	3
3 Bedroom	3	1	3	0	0	7
Total	**21**	**2**	**5**	**0**	**1**	**29**

FUNDING RECOMMENDATION

An HCID funding commitment of up to $2,050,000 is recommended. HCID funds will represent $70,689 per unit and approximately 11.11 % of the total development costs. The project was awarded tax credits in Round 2 of the 2017 California Tax Credit Allocation Committee 9% LIHTC allocation round.

Prepared By: Los Angeles Housing and Community Investment Department.

STAFF REPORT
February 23, 2018

West Angeles City Place Senior Apartments
5414 Crenshaw Blvd
Los Angeles, CA 90043

New Construction
Council District No: 8

PROJECT DESCRIPTION

The proposed 70-unit project will be developed on .52 acres with frontage on Crenshaw Blvd and serve low-income senior households. The property is currently improved with one 8,600 sq. ft. commercial building, which will be demolished. The modern designed urban infill project will have approximately 43,000 sqft of residential space and 2,394 sqft of ground floor commercial space fronting Crenshaw Blvd. The project will be comprised of 24 studios, 45 one bedrooms units, and 1 two bedroom unit located in one 5 Story building. The property is within 1,200 feet of the to-be built Slauson and Crenshaw station/stop for the Crenshaw/LAX line. The strategic location of the subject project will provide seniors with convenient public transportation throughout southern California.

The property will have community space for a gym, computer room and flexible space were multiple social services will be provided to the residents. The community space will open up to a courtyard with multiple sitting areas and a BBQ grill. The units will have energy efficient appliances and will be designed to maximize the sqft of the unit.

The social service components for the residents will serve individual senior daily needs and seniors who are at risk of being homeless. The project is dedicating a minimum of ten percent (10%) of the overall units for seniors at risk of being homeless. It is the goal of the Borrower to continue to serve this specific population and has been a mission of the organization to prevent homelessness through social services provided to the community.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with West Angeles Community Development Corporation as the Managing General Partner, The Related Companies of California, as the Administrative General Partner and a to be determined tax credit investor as the limited partner.

PROJECT FINANCE SUMMARY

In June of 2017 the project received a commitment of HOME funds from HCID in the amount of $1,985,000 ("Initial Commitment") as part of Council File No.: 13-03030-S8. This Initial Commitment was part of the project's overall financing that was used to support the project's 9% Low Income Housing Tax Credit Application (LIHTC) to the California Tax Credit Allocation Committee (CTCAC). The project was successfully awarded its requested allocation of LIHTCs in September 2017.

As the project progressed in its due diligence leading up to closing on its construction financing it encountered a $3,000,000 increase in its estimated construction costs. The increase in construction costs was due to (1) an underestimate of the labor costs attributed to the commercial prevailing wage requirement of building a structure of at least five stories and (2) an increase in hard construction costs. More than half of the cost increase is being offset by a combination of increased LIHTC equity, increased permanent debt, and a reduction in other line item costs.

The borrower is requesting an additional $1,400,000 in HOME funds from HCID to offset the remaining gap in total development costs. Thus, the total HOME funds amount committed to the project would be $3,385,000.

PERMANENT FUNDING SOURCES

Source	JUNE 2017 Amount	FEBRUARY 2018 Amount
HCID-HOME	$ 1,985,000	$3,385,000
Permanent Loan	800,000	$1,599,000
Deferred Dev Fee	600,000	$600,000
Tax Credit Equity	20,424,832	$21,746,106
Total	**$ 23,809,832**	**$27,330,106**

AFFORDABILITY STRUCTURE

Unit Type	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Mgrs.	Total
0 Bedroom	3	4	4	6	7		24
1 Bedroom	4	7	7	8	19		45
2 Bedroom	0	0	0	0	0	1	1
Total	**7**	**11**	**11**	**14**	**26**	**1**	**70**

FUNDING RECOMMENDATION

An additional AHTF funding commitment of up to $1,400,000 is recommended. The project is required by CTCAC to close on its construction financing by March 19, 2018. HCID funds will represent $48,357 per unit and 12.4% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
March 2, 2018

The Fiesta (formerly The Campus at L.A. Family Housing)
7843 Lankershim Boulevard, Los Angeles, CA 91605

New Construction
Council District No: 6

PROJECT DESCRIPTION

The existing project site is a rectangular shaped parcel currently occupied by a three-story commercial building and a two-story multifamily residential structure. The site is located in Council District 6 and is bordered by Arminta Street to the north, Lankershim Boulevard to the east, Simpson Avenue to the west, and by a parking lot to the south. The existing structures will be demolished and the proposed mixed-use development will consist of 50 new construction units of permanent supportive housing in addition to a 26,000 square foot commercial building that will house a health clinic, service center, and offices. The permanent supportive housing component will consist of 49 studio apartments targeting homeless adults and 1 un-restricted on-site manager's unit. The Campus will feature a large community room with kitchen, resident's lounge, fitness room, laundry room, open-air courtyard, and 54 on-site parking spaces housed in a one level subterranean garage.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The property is presently owned by the L.A. Family Housing Corporation (LAFH). LAFH will lease the property to the limited partnership, LAFH Campus, L.P., that will be formed for the purpose of developing, owning, and operating the Campus mixed-use development. In exchange for rights to the property, LAFH will receive annual lease payments in the amount of $1.00.

PROJECT FINANCE SUMMARY

The financing will be comprised of permanent loans from L.A. County CDC, AHP, and HCIDLA Affordable Housing Trust Funds (AHTF), as well as permanent funding from Deferred Developer Fees and Limited Partner Equity. The applicant will apply for 9% low income tax credits.

FUNDING SOURCES-PERMANENT

Sources	Amount (5/2015)	Amount (2/2018)
Conventional Loan		$826,000
Los Angeles HCIDLA (AHTF)	$1,900,000	$2,900,000
Accrued/Deferred Interest		$124,000
Los Angeles County CDC	$1,500,000	$1,600,000
Accrued/Deferred Interest		$57,200
AHP	$1,000,000	$1,000,000
HCID (CRA/TLC Note)		$1,080,000
HCID (Valley Shelter Note)		$863,748
Accrued/Deferred Interest		$617,094
Deferred Developer Fee/ GP Equity	$600,100	$100
Limited Partner Equity	$11,973,387	$12,748475
Total	**$16,973,487**	**$21,816,617**

AFFORDABILITY STRUCTURE

Unit Type	30% AMI	40% AMI	45% AMI	Mgr.	Total
0 Bedroom	49	0	0	0	**49**
1 Bedroom	0	0	0	0	**0**
2 Bedroom	0	0	0	1	**1**
Total	**49**	**0**	**0**	**1**	**50**

FUNDING RECOMMENDATION

A recommendation to approve a funding commitment in the amount of $2,900,000 will be made to the Mayor and City Council. Total AHTF Funds of $2,900,000 will represent $58,000 per unit and 13% of the total development cost.

Prepared by: Los Angeles Housing Department