

TRANSMITTAL

To: **THE COUNCIL**

Date: **AUG 12 2014**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.


(Ana Guerrero)
ERIC GARCETTI
Mayor

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Eric Garcetti, Mayor
Rushmore D. Cervantes, Interim General Manager

Housing Development Bureau
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July 19, 2014

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street, Room 395
Los Angeles, CA 90012

Council File: C.F. # 13-0303
Council District: Citywide
Contact Person: Timothy Elliott / 213-808-8596
Manuel Bernal / 213-808-8901

Attention: Mandy Morales
Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) RECOMMENDATIONS FOR VARIOUS ACTIONS REGARDING AFFORDABLE HOUSING TRUST FUND (AHTF) PROJECTS AND THE RETROACTIVE EXPANSION OF THE SUPPORTIVE SERVICES RESERVE FUND

SUMMARY:

The General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) requests Mayor and City Council authority to make adjustments to the following Affordable Housing Trust Fund (AHTF) projects: Courtleigh Villas, South West View, Florence Mills, and Coronel Apartments. Approval is requested to reallocate AHTF funds from Courtleigh Villas to South West View because the project sponsor for Courtleigh Villas returned its AHTF funding commitment, making the funds available for South West View, a permanent supportive housing project that will compete for tax credits from the California Tax Credit Allocation Committee (CTCAC) in early 2015. In addition, Mayor and Council approval is requested to amend two loan agreements between the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and Hollywood Community Housing Corporation (HCHC), the borrower for the Florence Mills and Coronel housing projects. The amendment to the Florence Mills loan agreement is required in order to include two parcels that will comprise a portion of the housing development but were excluded in the current version of the loan agreement, and the amendment to the Coronel Apartments loan agreement is necessary to close an unanticipated funding gap, by allowing the full CRA/LA acquisition/predevelopment loan amount to be converted to a permanent loan.

Lastly, HCIDLA requests authority to retroactively extend the Supportive Services Reserve Fund to include projects that were in predevelopment or construction (or otherwise not completed) at the time of

the Reserve Fund’s implementation, which became effective with the approval of the 2012 Round 1 Notice of Funding Availability (NOFA) on December 7, 2011.

RECOMMENDATIONS:

The General Manager, HCIDLA, requests that:

1. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council Committee(s) and forward it to City Council for consideration and approval immediately thereafter;
2. The City Council, subject to the approval of the Mayor, authorize the HCIDLA General Manager or designee to:

- A. Reallocate funds within the General Fund-Permanent Supportive Housing Fund (GF-PSHP) in the amount of \$212,500 as follows:

From:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
Courtleigh Villas	44G/43	43J441	GF-PSHP	\$212,500.00

To:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
South West View	44G/43	43J441	GF-PSHP	\$212,500.00

- B. Amend the loan agreement between the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and Hollywood Community Housing Corporation for the Florence Mills project, to provide for the use of CRA/LA funds for the acquisition of two parcels (1036 East 35th Street, Los Angeles, California 90011 and 1037 East Martin Luther King Boulevard, Los Angeles, California 90011) not currently included in CRA/LA loan agreement, subject to approval as to form by the City Attorney;
- C. Amend the loan agreement between the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) and Hollywood Community Housing Corporation for the Coronel Apartments project, to remove references to a reduced loan amount, which would allow the full amount of the CRA/LA acquisition/predevelopment loan amount to be converted to a permanent loan, and to add \$1.5 million from the Camden project (previously approved via Council File 13-1543-S1) as a funding source, subject to approval as to form by the City Attorney;
- D. Retroactively extend the Supportive Service Reserve Fund to AHTF projects that were in predevelopment, construction, or otherwise not completed at the time of the Reserve Fund’s implementation;

- E. Prepare Controller’s Instructions and any necessary technical adjustment(s), consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions;

3. Authorize the City Controller to:

- A. Expend funds upon proper demand of the General Manager of HCIDLA as follows:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
South West View	44G/43	43J441	GF-PSHP	\$212,500.00

BACKGROUND:

Courtleigh Villas and South West View

On August 1, 2013, the Mayor and City Council approved a 2013 Round 1 AHTF commitment in the amount of \$270,000 (\$212,500 in GF-PSHP and \$57,500 in HOME funds) to Courtleigh Villas, a 23-unit permanent supportive housing project included in the June 20, 2013 HCIDLA report (C.F. 13-0303). On March 1, 2014, the Mayor and City Council approved the de-obligation of the entire \$57,500 in HOME funds, as detailed in the February 20, 2014 HCIDLA report (C.F. 13-0303). The developer had returned their AHTF commitment because they exceeded the cap on the number of projects per developer that are eligible for inclusion in the pipeline. The HOME funds from Courtleigh Villas were allocated to LDK Senior Apartments for its 9% Low Income Housing Tax Credit (LIHTC) application to CTCAC's 2014 Round 1.

South West View Apartments was admitted into the AHTF Pipeline under the Initial Call for Projects held in July 2013 (C.F. 13-0303). The proposed project is a 64-unit permanent supportive housing development, with 32 of the 64 units set aside for veterans who qualify for Section 8 project-based vouchers (HUD-VASH), and their partners, dependent children and caregivers. A separate 31-unit building will accommodate seniors. The project was initially intended to serve veterans exclusively, but was modified to target an intergenerational population after receiving input from the community. The South West View Apartments will provide veterans with an opportunity to live less than 10 miles away from the Veterans Affairs West Los Angeles Healthcare Center.

It is requested that the \$212,500 in AHTF funds currently committed to the Courtleigh Villas project be reallocated to South West View Apartments. In March of 2015, South West View is scheduled to compete with other projects throughout the state for 9% LIHTC. Because a key scoring component of the tax credit competition is the amount of public funding committed to the project, an AHTF commitment is necessary to give the project a competitive advantage. Upon further analysis by HCIDLA and as the March 2015 tax credit application deadline draws near, it may be necessary to allocate additional funds to the project. In that event, HCIDLA will request Mayor and Council authority to do so.

Florence Mills

The Florence Mills project received a loan from the former CRA/LA for the development of four parcels to provide 70 units of affordable housing. Subsequent to the execution of the CRA/LA loan, the developer assembled two additional sites, therefore a loan amendment is now required to incorporate all six parcels of the proposed development.

In March 2011, the former CRA/LA received Mayor and Council approval to execute an acquisition and predevelopment loan agreement in the amount of \$3,100,000 for the Florence Mills project (C.F. 11-0356), consisting of four parcels:

- Parcel 1: 3501 South Central Avenue
- Parcel 2: 3509 South Central Avenue
- Parcel 3: 1046 East 35th Street
- Parcel 4: 1041 East Martin Luther King Boulevard

The following two parcels were not included in original CRA/LA loan agreement:

- Parcel 5: 1036 East 35th Street
- Parcel 6: 1037 East Martin Luther King Boulevard

Upon execution of the loan agreement, the CRA/LA disbursed approximately \$1.6 million to HCHC for costs related to the purchase of Parcels 1 and 2, which were zoned for commercial uses. However, funds could not be disbursed for the acquisition of Parcel 3 because the site had been improved with residential units and at the time of the CRA/LA loan approval, a Replacement Housing Plan¹ had not been adopted. In addition, CRA/LA funds were not disbursed for Parcel 4 as negotiations with the seller were ongoing at the time of loan approval.

While awaiting adoption of a Replacement Housing Plan for Parcel 3, HCHC secured interim acquisition financing from the California Community Foundation Land Trust (CCFLT) to purchase Parcel 3, along with an adjacent parcel that was not part of the lot assembly identified in the CRA/LA loan (Parcel 5). The aggregate amount of the CCFLT loan for Parcels 3 and 5 was \$615,000.

¹ Pursuant to California Redevelopment Law (CA Health & Safety Code §33413), whenever housing units for low or moderate income individuals or families are destroyed or removed from the low- and moderate-income housing market as part of a redevelopment project that is subject to a written agreement with the redevelopment agency or where financial assistance has been provided by the agency, residential units equal to the number of those destroyed or removed must be developed.

Redevelopment Law further states that prior to the execution of an agreement for acquisition of real property or the execution of an owner participation agreement leading to the destruction or removal of residential units from the low- and moderate-income housing market, the agency must, by resolution, adopt a replacement housing plan. Units requiring replacement in accordance with Section 33413 cannot be destroyed or removed from the market until the agency has adopted a replacement housing plan by resolution.

After the elimination of redevelopment agencies statewide, the Florence Mills project was included in the list of housing assets to be transferred from the former CRA/LA to HCIDLA. During the transition period, HCHC continued negotiations with the seller of Parcel 4, and entered into negotiations with the seller of the adjacent parcel (Parcel 6). In November 2012, the successor agency to the CRA/LA (CRA/LA-DLA) presented a Replacement Housing Plan to its Governing Board and requested adoption of a resolution to approve the Plan; the resolution was adopted on November 29, 2012.

With the adoption of the Replacement Housing Plan and the housing asset transfer complete, in December 2013, HCIDLA received expenditure authority for the remaining \$1.5 million in CRA/LA loan proceeds (C.F. 12-0049), and in February 2014, the Mayor and Council approved HCIDLA's request to extend the term of the CRA/LA loan to March 8, 2016 (C.F. 13-0303).

Negotiations between HCHC and the sellers of Parcels 4 and 6 have been finalized, and the CCFLT loan on Parcels 3 and 5 is now due. Therefore, it is requested that the Mayor and Council authorize the amendment of the CRA/LA loan agreement with HCHC to: 1) add Parcels 5 and 6 to the project site, and change the total number of parcels in the project to six; 2) use CRA/LA loan proceeds to repay the CCFLT acquisition loan for Parcels 3 and 5; 3) use CRA/LA loan proceeds to purchase Parcels 4 and 6; and, 4) modify the project budget, scope of development, schedule of performance and other supplemental documents to the loan agreement as needed. The remaining \$1.5 million in CRA/LA loan proceeds are sufficient to cover the costs of these transactions and any additional proceeds will be used to pay outstanding predevelopment expenses.

A copy of the site plan for the Replacement Housing Plan (which includes all six parcels), and a description of each parcel is provided on the following page.

Parcel 5: 1036 E. 35th

- Not included in CRA/LA original lot assembly; must be added to loan agreement.
- Eight (8) existing residential units to be removed, therefore adoption of Replacement Housing Plan was required.
- CFLT loan - \$440k

Parcel 3: 1046 E. 35th

- Included in CRA/LA original lot assembly.
- One (1) existing SFR to be removed, therefore Replacement Housing Plan was required.
- CFLT loan - \$175k

Parcel 1: 3501 S. Central

- Included in CRA/LA original lot assembly.
- No Replacement Housing Plan required.
- CRA/LA funds disbursed for acquisition.



Parcel 6: 1037 E. MLK

- Not included in CRA/LA original lot assembly; must be added to loan agreement.
- Three (3) existing residential units to be removed, therefore Replacement Housing Plan was required.
- HCHC to purchase w/CRA/LA loan proceeds.

Parcel 4: 1041 E. MLK

- Included in CRA/LA original lot assembly but no funds disbursed for acquisition of the site.
- No Replacement Housing Plan required.
- HCHC to purchase w/CRA/LA loan proceeds.

Parcel 2: 3509 S. Central

- Included in CRA/LA original lot assembly.
- No Replacement Housing Plan required.
- CRA/LA funds disbursed for acquisition.

————— Parcels acquired by HCHC

■■■■■■■■■■ Parcels to be acquired by HCHC

Coronel Apartments

On July 2, 2010, the City Council authorized the former CRA/LA to execute an acquisition/predevelopment loan agreement with HCHC in the amount of \$5.027 million. The term of the loan was two years, subject to an extension by the CRA/LA of up to one additional year. Prior to the maturity of the loan, CRA/LA staff anticipated returning to Council for approval of the final project, including approval to convert the acquisition/predevelopment loan to a permanent loan (C.F. 10-1063).

To fund the project's development, HCHC planned to seek an AHTF award of \$5.2 million, and together with Affordable Housing Program (AHP) financing, conventional debt and tax credit equity, it was projected that the CRA/LA permanent loan could be reduced by \$938,701 at conversion; therefore, the original CRA/LA loan documents included provisions regarding a reduced permanent loan amount. In September 2013, after the transfer of the Coronel project from the former CRA/LA to HCIDLA was finalized, HCIDLA received Council authority to extend the CRA/LA loan agreement to September 29, 2015 (C.F. 13-1217).

The project sponsor has been able to maintain the project's total development cost over the past four years as it went through the housing asset transfer process. During that time, the sponsor obtained sources of financing that eliminated the need for AHTF funding, specifically, an Infill Infrastructure Grant from the California Department of Housing and Community Development, City funding from the Camden project via Council Motion (C.F. 13-1543-S1), and a larger than expected AHP award. However, changes in loan interest rates on conventional debt translated into a smaller first mortgage than was previously assumed. The financing gap can be addressed if the project is allowed to keep the entire CRA/LA amount intact after conversion to a permanent loan rather than having the loan reduced by \$938,701. Therefore, it is requested that the CRA/LA loan agreement be amended to delete all references to a reduced loan amount upon conversion to a permanent loan. In addition, it is requested that the amendment include the addition of the Camden funds as a source, as authority was not requested in the aforementioned Motion.

Supportive Services Reserve Fund

AHTF permanent loans are generally repaid through a residual receipts note, which allows the borrower to repay principal and accrued interest when adequate cash flow is available for distribution. HCIDLA receives its pro-rata share of the cash flow remaining after allowable deductions such as debt service payments on senior loans and payments to the operating and/or replacement reserves. Effective with the 2012 Round 1 Notice of Funding Availability (NOFA), HCIDLA received Mayor and Council approval to allow Permanent Supportive Housing projects to increase the allowable deduction from their residual receipts to pay for supportive services that serve tenants of vulnerable populations with multiple disabilities (C.F. #11-1920). The provision allowed funds to be deposited into a Supportive Services Reserve Fund prior to the residual receipts calculation as follows:

- \$4,000 per unit per year for the chronically homeless
- \$2,250 per unit per year for homeless with special needs

Funds may be drawn only for the purposes of providing supportive services coordination for the project's tenant population, and shall not be used to pay for other supportive services. Requests for disbursement must be submitted in writing and will be subject to HCIDLA approval. Prior to the change in the 2012 Round 1 NOFA, project sponsors were allowed to deduct the following amounts from cash flow to pay for service coordination: \$800 per unit, per year for units serving the chronically homeless and \$400 per unit, per year for homeless housing units.

Because supportive services are crucial to the successful operation of a permanent supportive housing project, it is essential that funds are available to ensure the smooth and ongoing provision of these services. Therefore, it is recommended that all Permanent Supportive Housing projects in predevelopment, construction, or otherwise not completed prior to the Mayor and Council approval of the 2012 Round 1 NOFA and establishment of the Supportive Housing Reserve Fund on December 7, 2011, be allowed to take the increased deduction and deposit the funds into a Supportive Services Reserve Fund. Attachment 1 lists the projects eligible for the retroactive implementation of the Reserve Fund.

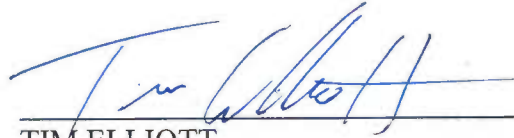
Fiscal Impact Statement

There is no impact to the General Fund. GF-PSHP funds will be reallocated between AHTF projects for the development of permanent supportive housing.

Prepared by:



LISA SHINSATO
Management Analyst



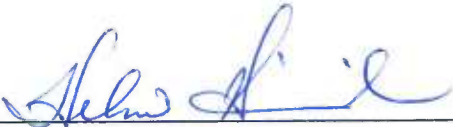
TIM ELLIOTT
Manager, Affordable Housing Trust Fund

Reviewed by:



MANUEL HORACIO BERNAL
Director, Finance and Development Division

Approved by:



HELMI HISSERICH
Assistant General Manager
Housing Development Bureau



br RUSHMORE D. CERVANTES
Interim General Manager

Attachment 1: Projects Eligible to Retroactively Implement the Supportive Housing Reserve Fund

Projects Eligible to Retroactively Implement the Supportive Housing Reserve Fund

Project Name	Units	Unit Type	Construction Type	Commitment Date	Loan Execution Date	Completion Date*	Total AHTF
Vendome Palms	36	Special Needs	Rehab	7/23/2008	9/7/2010	12/12/2011	\$3,480,138
Glenoaks Gardens	61	Special Needs	New	8/12/2009	6/30/2010	12/19/2011	\$2,223,673
Parkview On The Park	80	Special Needs	Rehab	7/23/2008	7/22/2010	12/20/2011	\$6,000,000
Juanita Villas / AKA La Kretz Villas	49	Special Needs	New	8/12/2009	9/10/2010	12/28/2011	\$4,809,092
Villas At Gower **	70	Special Needs	New	3/27/2006	4/22/2010	2/14/2012	\$1,500,000
36th St. & Broadway Apts.	27	Special Needs	Rehab	3/17/2007	10/16/2009	2/24/2012	\$2,938,772
New Genesis	106	Special Needs	New	7/23/2008	5/26/2010	6/28/2012	\$5,587,486
Willis Avenue Apartments	42	Senior	New	7/2/2010	3/15/2011	8/6/2012	\$3,119,057
NoHo Senior Villas	49	Senior	New	7/2/2010	5/5/2011	10/22/2012	\$4,932,825
Osborne Place Apartments	64	Special Needs	New	7/2/2010	3/14/2011	11/5/2012	\$834,621
28th Street Apts. / FKA 28th St. YMCA	49	Special Needs	New	7/2/2010	3/14/2011	11/16/2012	\$2,945,181
Menlo Family Housing	60	Family	New	7/2/2010	5/1/2011	2/20/2013	\$6,309,887
Step Up On Vine	34	Special Needs	Rehab	10/31/2011	12/13/2011	4/3/2013	\$334,951
Star Apartments	102	Special Needs	New	3/9/2011	11/28/2011	11/12/2013	\$3,050,000
Gateways Apartments	108	Special Needs	New	3/9/2011	12/20/2011	11/25/2013	\$9,411,904
PWC Family Housing	45	Family	New	7/8/2011	3/6/2012	12/10/2013	\$3,406,936
Caroline Severance Manor	85	Special Needs	New	1/12/2012	5/10/2012	3/19/2014	\$891,000

*Eligibility based on date of completion. Eligible projects were in predevelopment or construction and completed after December 7, 2011 (the date of Mayor and Council approval of the initial implementation of the Supportive Housing Reserve Fund).