

TRANSMITTAL

To:

THE COUNCIL

Date: 04/13/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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

April 12, 2016

Council File: 15-0219-S1
Council Districts: 14
Contact Persons: Georgina Tamayo: (213) 808-8587
Timothy Elliott: (213) 808-8596
Edwin Gipson: (213) 808-8901

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO ADOPT THE RESOLUTION TO APPROVE THE REPLACEMENT HOUSING PLAN FOR THE PANAMA HOTEL APARTMENTS

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) requests adoption of a Resolution approving the Replacement Housing Plan (Plan) for the Panama Hotel Apartments, an affordable housing project developed by Single Room Occupancy Housing Corporation (Developer) located at 403 E. 5th Street, Los Angeles, 90013. The site is located in Council District 14.

The Panama Hotel Apartments project consists of a four-story hotel containing 228 rooms. HCIDLA provided the project an Affordable Housing Trust Fund Pipeline financial commitment on July 1, 2015 (C.F. 15-0219-S1).

The Panama Hotel Apartments is a former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) housing asset and is required to comply with California Health and Safety Code Section 3343.5, which requires the adoption of the Plan. Both the Resolution and CRA/LA Governing Board Approval of the Plan are provided as Attachments A and B, respectively. A Plan is required when units that were financed with CRA/LA funds are removed from the housing market.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter.
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Adopt the attached Resolution and approve the Panama Hotel Apartments Housing Replacement Plan; and
 - B. Authorize the HCIDLA General Manager, or designee, to execute any documents required to effectuate this transaction consistent with the Mayor and City Council actions on this matter, subject to the approval of the City Attorney.

BACKGROUND

The Panama Hotel Apartments currently has 228 boarding room type units comprised of a single room with sink, bed, dresser and table with shared bathroom facilities located in the hallways. The boarding rooms will be converted into 72 units which will include bathrooms, small kitchenettes and a closet.

The project proposes a reduction in the number of units to create larger living spaces with individual bathrooms and kitchenettes and on-site support services to better serve the special needs residents. A total of 71 units (except the manager's unit) will be reserved for homeless households, including chronically homeless at or below 50% of Area Median Income (AMI).

The Panama Hotel Apartments will accomplish several significant goals including: (1) preserving and extending the affordability of 72 units; (2) retrofitting the major building systems to increase the physical lifetime of the building; (3) increasing operating income by modifying rental subsidies and establishing dedicated funding for resident services; and (4) addressing significant building amenities to provide better housing for the qualifying residents.

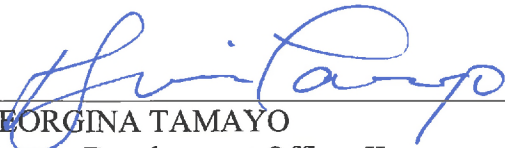
The original 228 units qualify for a 25% housing replacement reduction, resulting in a replacement of 171 units, of which 71 affordable units will be replaced on-site at the Panama Hotel Apartments. The remaining 100 units will be replaced off-site at the Hartford Villas Apartments, a HCIDLA approved pipeline project, located at 445 S. Hartford, Los Angeles, 90017 in Council District 1.

The Panama Hotel Apartments applied for Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC) and was awarded tax credits in September 2015. The project is currently under construction and expected to be completed by the end of 2017.

FISCAL IMPACT STATEMENT

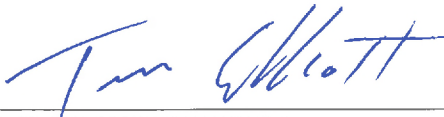
There is no impact to the General Fund. Federal HOME funds were utilized to provide a financial commitment to the Panama Hotel Apartments.

Prepared by:



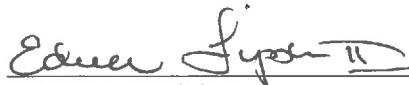
GEORGINA TAMAYO
Finance Development Officer II
Multifamily Finance & Development Unit

Prepared by:



TIMOTHY ELLIOTT
Community Housing Program Manager
Multifamily Finance & Development Unit

Reviewed by:



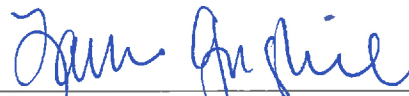
EDWIN GIPSON
Director
Development and Finance

Reviewed by:



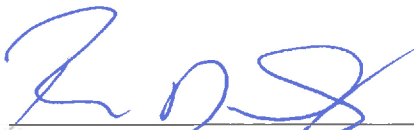
HELMI HISSERICH
Assistant General Manager

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachment A

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES, ADOPTING THE REPLACEMENT HOUSING PLAN FOR ONE HUNDRED (100) DWELLING UNITS TO BE REMOVED FROM THE HOUSING MARKET IN CONNECTION WITH THE PROPOSED REHABILITATION AND RECONFIGURATION OF THE EXISTING TWO HUNDRED TWENTY EIGHT (228) SINGLE-ROOM OCCUPANCY UNITS TO SEVENTY ONE (71) SINGLE-ROOM OCCUPANCY UNITS FOR VERY LOW INCOME RESIDENTIAL HOTEL PROJECT LOCATED AT THE PANAMA HOTEL AT 403 E. 5TH STREET, LOS ANGELES REFERRED TO AS THE PANAMA HOTEL APARTMENTS PROJECT IN LOS ANGELES, AND CONSISTENT WITH THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PLAN.

WHEREAS, pursuant to the provisions of the California Community Redevelopment Law, Health and Safety Code Section 33413.5, the staff of the City of Los Angeles, a municipal corporation, acting on its own behalf, and by and through the Los Angeles Housing and Community Investment Department as successor to the housing assets and housing functions of the Community Redevelopment Agency of the City of Los Angeles under Section 34176(a) of the California Health and Safety Code pursuant to the Agreement regarding CRA/LA Affordable Housing Assets and Functions with the effective date of April 5, 2013 ("HCIDLA"), has prepared a Replacement Housing Plan, a copy of which is attached hereto as Exhibit A, for rehabilitation and retrofitting of the existing two hundred twenty eight (228) single occupancy dwelling units into seventy one (71) permanent single room occupancy apartments located within the Council District Fourteen Central Business District Development Project Area at 403 East 5th Street, Los Angeles ("Panama Hotel"); and

WHEREAS, SRO Housing Corp operates the Panama Hotel and has obtained \$4,489,380 in funding from CRA to implement the rehabilitation and reconfiguration of the Panama Hotel; and

WHEREAS, for a reasonable time prior to the adoption of this Resolution, the City has made available a draft of the Amended Replacement Housing Plan to the public.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

The recitals hereinabove set forth are true and correct, and the Council so finds.

The City finds the proposed Amended Replacement Housing Plan to be in conformity with the provisions of the California Community Redevelopment Law and the Redevelopment Plan for the Central Business District of Los Angeles, and hereby approves and adopts the Amended Replacement Housing Plan for the Panama Hotel.

The Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED BY THE CITY COUNCIL of the City of Los Angeles this _____ day of _____, 2016 at Los Angeles, California.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held _____, 2016.

By: _____
City Clerk

(SEAL)

Attachment B

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

APPROVED

M E M O R A N D U M

2

DATE: MARCH 3, 2016

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER
NEELURA BELL, SPECIAL PROJECTS OFFICER

SUBJECT: **REPLACEMENT HOUSING PLAN – PANAMA APARTMENTS.** Approval of a Replacement Housing Plan for the Panama Apartments located at 403 East 5th Street in the Central Industrial Project Area.

RECOMMENDATION

That the Governing Board take the following actions:

- (1) Adopt the following findings regarding the Replacement Housing Plan for the Panama Apartments (“Project”), as required by the Wiggins Settlement Agreement and Development Guidelines:
 - (a) The proposed scope of work will improve living conditions thereby qualifying the Project for a reduction of the required Replacement Units by 25%;
 - (b) The Plan identifies the required number of restricted units that will be subject to 55-year Affordability Covenants;
 - (c) The Developer has made good faith efforts to locate the Replacement Units in the City Center and Central Industrial Redevelopment Project Areas, and having been unable to find any suitable projects, is exercising the option to place them in a project it controls located in the broader replacement area;
 - (d) The Developer substantiated that the Replacement Units can be built within four years of the demolition of the affordable units; and
 - (e) The inclusion of the project providing the Replacement Units in the City of Los Angeles Housing+Community Investment Department’s (HCID) 9% LIHTC Pipeline Management Process provides assurance that the necessary financing can be assembled to deliver the Replacement Units within four years.

- (2) Approve the Replacement Housing Plan for the Panama Apartments pursuant to the Wiggins Settlement Agreement and Development Guidelines and Controls for Residential Hotels in the City Center and Central Industrial Redevelopment Project Areas (the "Guidelines").

SUMMARY

The recommended actions will facilitate the proposed rehabilitation of the Panama Hotel into the Panama Apartments ("Project"). The Project is located at 403 East 5th Street in the Central Industrial Redevelopment Project Area. The Project involves conversion of an existing vacant 228-unit Single Room Occupancy (SRO) hotel into a 72-unit apartment complex that will provide affordable housing for Low Income Households at 50% or below area median income (AMI). The rehabilitation plan includes consolidating existing small units to create larger living spaces. Each new unit will include a private bathroom, small kitchenette and closet. The reconfiguration will result in the elimination of 157 affordable units. The Guidelines and the Wiggins Settlement Agreement require that a Replacement Housing Plan be approved by the CRA/LA Governing Board if a project will result in a reduction in the number of SRO units. The Guidelines allow for a 25% reduction of replacement units if the rehabilitation plan results in improving living conditions. Therefore, the Project's replacement obligation is 171 units. The Developer's replacement housing plan proposes to develop 71 affordable units on-site and to construct 100 replacement units off-site.

PROJECT REPLACEMENT HOUSING PLAN

The proposed Project entails the conversion of the existing Panama Hotel which has 228 SRO units, average size of 120 square feet, into an apartment with 71 studio units, each averaging 300 square feet, and one (1) one-bedroom manager's unit. The Project is an affordable housing development for Very Low Income households at 50% or below area median income. The proposed conversion will result in a net loss of 157 Affordable Units. After the 25% credit for building larger units, the Developer is committing to replace 100 of those units off-site.

The Guidelines stipulate that no permit for Demolition, Rehabilitation or Conversion of a Residential Hotel Unit(s) will be approved by CRA/LA, unless: The proposed new use is an Affordable Housing Project with recorded affordability covenants for not less than 55 years; or the Residential Units are replaced on a one-for-one basis pursuant to the methods set forth in the Guidelines; and a Replacement Housing Plan is approved by CRA/LA's Governing Board.

However, the Guidelines provide an exception to the one-for-one replacement requirement. Since the proposed Project will be for continued use by Lower Income Households at Affordable Rents and the scope of work entails increasing the size of the units in order to add bathrooms, small kitchenettes and community rooms, the project is eligible for a 25% reduction in the number of required replacement units. Therefore, only 171 units need to be replaced. The Developer's Replacement Housing Plan (Attachment A) describes how the developer will fulfill its replacement obligation. The proposed Rehabilitation Plan includes converting the building to include 71 larger units onsite and providing the remaining 100 replacement units offsite.

The Developer is proposing to use its HCID-approved pipeline project, the Hartford Villas Apartments, located at 445 South Hartford, Los Angeles to provide the 100 replacement housing units outside of the City Center and Central Industrial Redevelopment Project areas. The Guidelines allow for the Replacement Units to be located outside of the project areas if the Developer makes "every effort" to locate them within the project areas. "Every effort" means

that the CRA/LA Governing Board must make a determination, after a duly noticed public meeting, that the required Replacement Units cannot be located in the project areas. In the Replacement Housing Plan, the Developer describes its unsuccessful efforts to identify suitable projects within the redevelopment project areas.

In addition to satisfying the Location of Replacement Units provisions of the Guidelines, the Developer must also meet certain Timing of Replacement Units conditions. The Guidelines state Replacement Units are to be made available for occupancy as soon as possible but in no event more than four years from the date of Demolition, Conversion or Rehabilitation of the affordable units. If the Replacement Units are not provided prior to the removal of units, the Developer is required to post security with CRA/LA, in an amount determined by the CRA/LA to be adequate to assure the construction of the Replacement Units. As described in the Replacement Housing Plan, Hartford Villas is expected to be completed by September 2019. As security, the Developer has asked that CRA/LA consider the Hartford Villas inclusion in HCID's Pipeline, and the City's commitment of \$9.2 million in gap financing. Inclusion in the HCID's Pipeline provides assurance that the project providing the 100 replacement units will be completed within the four year window.

HCID staff has informed CRA/LA that HCID's Pipeline Process was created to provide more certainty for developers by using it as a mechanism for determining the priorities in the allocation of tax credits through the newly created geographic region dedicated pool for the City of Los Angeles. In 2013, HCID developed the 9% LIHTC Pipeline Management Plan ("PMP") that established policies and implemented measures to control how, which and when affordable housing developments move forward to the State competition in the Los Angeles geographic set-aside. While the State remains in control of the allocation of tax credits, the establishment of the PMP allows the City to pre-select the specific projects that it will allow to compete in the Los Angeles geographic pool. Under the PMP, the City establishes a pipeline of the projects, with the expectation that six projects can be funded during each biannual round. Of the 31 projects included in HCID's first two Calls for Projects to be admitted to the pipeline, 24 (77%) have either been fully funded or received preliminary tax credit allocations in CTCAC 2015 Round 2. The remaining seven projects continue to be in predevelopment with some having experienced delays due to lawsuits or not having applied for tax credits in 2015. The Developer responded to HCID's May 2015 Call for Projects and Hartford Villas was added to the Pipeline. It is expected that the Hartford project will apply for and receive a tax credit allocation in 2017 Round 1 enabling the project to start construction by the end of 2017 and ready for occupancy in September 2019. Based on this understanding of HCID's PMP and the expressed likelihood that Hartford Villas will be able to assemble all of the required project financing, it is recommended that the CRA/LA Governing Board accept the Project's inclusion on the HCID Pipeline as assurance that the project will get constructed and waive the requirement that the developer post security.

In its review of the Developer's Replacement Housing Plan, CRA/LA staff has concluded that the Plan satisfies the provisions of the Guidelines, and recommends the approval of the Replacement Housing Plan by the Governing Board.

Per the Settlement Agreement, the Plaintiff's representatives were provided 10 days notice in writing of the scheduled Governing Board meeting.

DISCUSSION & BACKGROUND

The Project Developer, SRO Housing, Inc. ("Developer") has owned and operated the Panama Hotel since 1985 when the Developer entered into a Development and Loan Agreement with the Community Redevelopment Agency of the City of Los Angeles ("Former Agency"). The Former Agency made a loan of \$930,020 for the acquisition and development of the Panama Hotel. The agreement was amended several times between 1987 and 1993, increasing the principal amount to \$3,771,656. The Developer executed a covenant restricting the affordability of the units for a 40-year period

Between 1985 and 2013, the property was operated by the Developer as an emergency shelter with funds provided from local and state agencies. As funding from these entities was eliminated, the Developer was forced to close the Panama Hotel in 2013, and the building has remained vacant. Since discontinuing the use as an emergency shelter, the Developer has put together plans for the newly envisioned Panama Apartments. The Developer has secured all needed funding to undertake the project, including Low Income Housing Tax Credits (\$11,123,836), Federal Home Loan Bank Affordable Housing Program (\$1,000,000) and City of Los Angeles Housing+Community Investment Department ("HCID") (\$4,479,380). The Developer has also received a commitment from the Housing Authority of the City of Los Angeles ("HACLA") for 71 Project Based Section 8 Vouchers which will provide the project with an assured source of operational income.

SOURCE OF FUNDS

No funding is required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

There is no impact on the Successor Agency's administrative budget.

ENVIRONMENTAL REVIEW

The recommended actions do not constitute the approval of a "project" for purpose of the California Environmental Quality Act ("CEQA").



Steve Valenzuela
Chief Executive Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

Attachment A: Replacement Housing Plan

ATTACHMENT A

REPLACEMENT HOUSING PLAN

SRO – Panama Hotel Apartments

February 19, 2016

SRO Housing Corporation in order to comply with California Health and Safety Code Section 33413.5, which requires the adoption, by resolution, of a replacement housing plan, This plan also follows the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**. As presented here, the plan will explain the planned redevelopment of the Panama Hotel, a single structure consisting of a 4 story building with 228 Single Room Occupancy Hotel units which are approximately 120 square feet in size w/ only a sink and closet. Specifically, this plan focuses on the replacement of 71 units onsite (300 square feet in size all with Kitchenettes and Private Bathrooms) and 100 units offsite (Hartford Villa Apartments), and describes the location, timetable and financing for the future units that will serve as the replacement units. SRO Housing Corporation is hopeful of obtaining CRA Board Approval for this Replacement Housing Plan in order to move forward with various other approvals related to the same development.

I. Introduction

On January 15, 1985 CRA/LA and Single Room Occupancy Housing Corporation entered into a “Development and Loan Agreement” for the acquisition and development of a 228 unit project located at 403 East 5th Street, Los Angeles, CA, 90013. This project, known as the Panama Hotel, was part of the Agency’s Central Business District Redevelopment plan, remains a part of the City Center Redevelopment Plan, and is subject to the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**. Subsequently on August 18, 2008, CRA/LA and Single Room Occupancy Housing Corporation entered into and executed an “Amended Loan Agreement” in the amount of \$3,771,655.66

Single Room Occupancy Housing Corporation (“Developer”) has proposed the Panama Apartments Project (“Project”). The Panama Hotel currently has 228 Single Room Occupancy units (average size 120 sq.ft.) comprised of a single room with sink, bed, dresser, and table with shared bathroom facilities located off the hallways. The **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS** permits a 25% reduction of units when rehabilitated units include kitchen and bath facilities, requiring the rehabilitation or development of 171 units to replace units removed from the Panama Hotel. This project calls for the Panama Hotel to be converted to 71-Zero Bedroom Studio Apartment units (average size 300 sq. ft.) and 1-One Bedroom Manager’s Unit which will include individual bathrooms, small kitchenettes and a closet within the rooms themselves, leaving a balance of 100 units to be replaced as set forth below.

The Project is currently vacant and boarded-up, and no permanent or temporary relocation is anticipated as part of the broader rehabilitation project. This property operated starting in 1985 thru

2013 as an **Emergency Shelter** and received funding to operate as an Emergency Shelter thru the CRA, LAHSA, and the Emergency Shelter Program (ESP) out of the State of California Department of Housing and Community Development (HCD). This program lost the various funding from LAHSA and ESP and closed operations in 2013. The building has been VACANT and boarded up since then.

The Panama Apartments project will also accomplish several significant goals for the property including: (1) preserving and extending affordability for 71 units, and a commitment to house low income individuals at affordability level not to exceed very low income (50% or Below AMI) for a household of one. Additionally, long-term affordability covenants will be recorded and remain in effect for a period of not less than 55 years; (2) retrofitting all major building systems (e.g. roof, windows mechanical, electrical, plumbing, HVAC, seismic) to increase the physical lifetime and energy efficiency of the building; (3) increasing operating income by modifying rental subsidies and establishing dedicated services funding; (4) addressing significant building amenities such as accessibility and thermal comfort to make the building more suitable for the new tenants; the addition of community Kitchen, Lounge and Social Service Offices will also benefit the new tenants (5) Single Room Occupancy Housing Corporation will accept Section 8 vouchers for all newly rehabilitated units.

The Project proposes a reduction in the on-site unit count at the Panama Hotel of greater than 25% (from 228 to 71 units) to create larger units with individual bathrooms and kitchenettes, a community Kitchen, Lounge and on-site dedicated supportive services space to better serve the special needs residents.

II. The Project

The Panama Apartments is an existing 228 unit SRO Hotel located at 403 E 5th Street, Los Angeles, CA 90013. SRO Housing Corporation proposes to rehabilitate and reconstruct the Panama Hotel into the new 72 unit Panama Apartments. All units will have kitchenettes and private bathrooms and will also be fully furnished. Income levels for 71 of the 72 units will be at Very Low 50% or Below AMI levels. One unit will be for the Site Manager and will not be rent restricted. The project will cause 228 rent restricted units to be removed. Section V of the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS** stipulates that when the proposed rehabilitation project will be for continued use by Lower Income Households at Affordable rents a reduction in the number of Replacement Units may be allowed where CRA/LA determines that the proposed work will improve living conditions requiring the addition of bathrooms, kitchens, community rooms or like facilities, and for code compliance such matters as life and safety, accessibility for persons with disabilities or other improvements require the modification or enlargement of units in the structure. The net loss of residential units shall not exceed 25%. Based on the rehabilitation plans for the Panama Apartments, 228 existing units less the 25% (57 units) allowable reduction for affordable housing projects equals a total of 171 units to be replaced. Seventy-one (71) units are being rebuilt at the project site which leaves 100

total units that need to be replaced if the replacement units are located within the expanded Wiggins replacement project area.

Replacement units will be provided by:

Single Room Occupancy Housing Corporation through its project, ***Hartford Villa Apartments***, 445 - 459 S Hartford Avenue, Los Angeles, CA 90017.

The Panama Apartments will provide an increased quality of life for the residents by updating units, improving common areas, and addressing major deficiencies. The Project will promote sustainable and healthy living and reduce operating costs by incorporating energy-efficient systems and appliances, recycled and low-VOC materials. Furthermore, through more than 32 years of experience serving low income and formerly homeless and special needs individuals, Single Room Occupancy Housing Corporation understands the importance of providing on-site supportive services space to serve this population. The proposed unit reduction would allow the Panama Apartments project to provide this integral on-site supportive services space for residents.

Single Room Occupancy Housing Corporation has secured all funding for the development of Panama Apartments from the following sources: Low Income Housing Tax Credits, Federal Home Loan Bank Affordable Housing Program (AHP) and California Department of Housing and Community Development. Single Room Occupancy Housing Corporation is also in the process of extending existing loan from the Community Redevelopment Agency, City of Los Angeles Housing + Community Investment Department, and the California Department of Housing and Community Development. In addition to the secured funding listed above, the Developer has a commitment from the Housing Authority of the City of Los Angeles (HACLA) for 71 Project Based Vouchers (PBVs).

As part of the required code upgrades SRO Housing Corporation has hired a UFAS / ADA Disabled Access CASP Consultant that will provide a report of the Building Permitted set of plans that will certify that the proposed project will meet all UFAS / ADA Disabled Access Compliance. Since it is funded by the City of Los Angeles and has obtained federal funding as part of the secured funding package. The UFAS / ADA Disabled Access CASP Consultant will also provide reports at 50% construction and 100% construction completion to ensure full and ongoing compliance with the UFAS / ADA Disabled Access Compliance throughout the entire development. These reports will be given to the HCID Architect for approval both prior to start of construction, during and at completion of the project construction for final approval and signoff.

III. Description of Dwelling Units to be Demolished

The rehabilitation work at the Panama Apartments will result in the removal of 157 units at the Very Low Income affordability level (50% AMI or Below), as shown in the following “Table 1- Replacement Housing Need.” Table 1 shows the income category and bedroom counts for the 100 units to be removed, the dates the units are scheduled to be removed and the anticipated replacement date, **(no later than December 31, 2019)**, which is within four years of their removal. (For a more comprehensive replacement unit calculation, please see Section IV below.)

Table 1

Replacement Housing Need

Project Address	Number of Units to be Removed	Number of Bedrooms	Ave. SF per unit	Very Low Income 50% or Below AMI	Replacement Units Required (25% reduction allowance)	Number of Units Replaced On-site	Number of Units Replaced Off-site	Date of Removal	Date of Replacement
<u>Panama Hotel</u> 403 E. 5 th Street Los Angeles CA, 90013	228	0	120	228	171	71	100	March 2016	September 2019

IV. Replacement Housing Requirements

Health and Safety Code Section 33413(a) and **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS** requires that 100 percent of the replacement units shall be made available at or below the same affordability level of the destroyed or removed units. Therefore, the required total number of Low Income replacement dwelling units is as follows;

228 existing units less 25% allowable reduction of units for affordable housing projects (57 units) per section V.B. of the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**. This equals a total of 171 units less the project units to be rebuilt in-place (71) which equals 100 total units that need to be replaced if this is done inside the expanded Wiggins replacement project area.

Good Faith Efforts:

SRO Housing Corporation first and foremost attempted to locate projects within the boundaries of the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**. In an attempt to locate suitable and qualifying replacement housing units within the City Center and Central Industrial Project Areas, SRO Housing Corporation identified only one (1) project that met these guidelines. The Skid Row Housing Project, Six Four Nine Lofts (55 Units). However Skid Row Housing Trust told us that they have already earmarked the units within their project toward their own replacement housing plan.

SRO Housing Corporation then contacted several developers that had projects of similar size and scope and that were in the HCID AFTF Project Pipeline. SRO Housing Corporation identified several projects that we felt were suitable. They were as follows; Clifford Beers Housing (King 1101 (26 Units), Vista De Los Angeles (56 units), Path Ventures, Path Metro Villas I (65 units), Path Metro Villas II (122 units) and LINC Housing, Mosaic Garden (125 units), what we discovered was all of the above mentioned developers projects were not within the project area. However some of them were inside the expanded Wiggins boundaries. Since SRO Housing Corporation was unable to locate suitable projects within the project area we were able to use our own Hartford Villa Apartments project as replacement housing units that are located within the expanded WIGGINS replacement project area. SRO Housing Corporation made every reasonable effort to meet these guidelines. Our niche is unique in respect to other Developers projects as we are serving Homeless Individuals who are at the lowest end of the economic spectrum. The units we build are designed for single adult individuals and our Hartford Villa Apartments project is a perfect fit.

Replacement Housing Project:

Project Address	Number of Replacement Units To Be Constructed	Number of Bedrooms	Ave. SF per unit	Very Very Low Income 30% or Below AMI	Very Low Income 50% or Below AMI	Total Eligible Replacement Units
<u>Hartford Villa Apartments</u> 445 S Hartford Ave., Los Angeles, CA 90017	100	0	350 SF		100	100
TOTALS						100

Recap:

- **Hartford Villa Apartments**, 445 South Hartford Ave., Los Angeles, CA 90017, (a proposed 101 unit affordable housing project, 1 manager’s unit and 100 zero bedroom studio apartments with kitchenettes and bathrooms) will meet the replacement housing requirement with the addition of **100** affordability covenanted and restricted units, constructed within four years after date of unit removal. Note: The applicant (SRO Housing Corporation) has full site control of the proposed replacement housing project/location. See attached Grant Deed.
- **Hartford Villa Apartments affordability level not to exceed very low income (50% or Below AMI) for a household of one. Long-term affordability covenants will be recorded and remain in effect for a period of not less than 55 years.**
- **Single Room Occupancy Housing Corporation will accept Section 8 vouchers for all 100 replacement units and they will be completed no later than December 31, 2019.**

Grand total of all proposed replacement units: **100**

V. General Location of Replacement Housing, Timetable and Financing

HCIDLA will restrict **100 dwelling units** at the HARTFORD VILLA APARTMENTS located at 445 Hartford Avenue, Los Angeles, CA 90017, with income levels consistent with the original development agreement for the Panama Hotel as shown in the chart above and **within four years (no later than December 31, 2019)**, of the adoption of this replacement housing plan per section VI, F, 1 of these guidelines. Furthermore these units will be located within the boundary outlined in the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS.**

Proposed Financing Plan for Hartford Villa Apartments:

AHP.....\$ 1,000,000 (Application will be submitted in March 2016).

HCIDLA..... \$ 9,200,000 (Secured - Currently in the HCIDLA AHTF Project Pipeline).

HCD VHHP..... \$ 9,876,730 (Application will be submitted in Sep/Oct 2016).

LIHTC.....\$ 11,427,716 (Application will be submitted in March 2017).

*Secured an Acquisition Loan in the amount \$7,896,000 of from the New Generation Fund LLC (NGF) in December 2015.

Proposed Hartford Villa Apartments

101 total units in lieu of original 94 total units.

SRO Housing Corporation originally proposed a 94 unit Affordable Housing project to the City of Los Angeles (HCID) AHTF Pipeline because when we proposed to purchase the VACANT lot it the sellers had already prepared a set of preliminary architectural plans that included 94 Studio Apartments. We basically in the interest of time and funding went forward with that size project.

The Replacement Housing Plan as required by the CRA has guidelines specific to the number of replacement housing units SRO Housing Corporation must identify in the plan and in order to meet the requirements. That total is 100 units based upon the count of lost units at the Panama Apartments. SRO Housing Corporation is proposing to construct and develop 101 total units at the Hartford Villa Apartments.

Entitlement/Zoning Issues:

This will have no effect upon entitlements/zoning as this property is currently zoned R5(CW) which allows one unit per every 200 Square Feet of land area (20,338 SF). We are permitted by right to build 101 total units on the site. This is what we are proposing.

Financial Impact:

The addition of 7 units to our proforma and to the project hard cost of construction will net out as follows. At an average cost of \$300 per SF with units averaging 350 SF each that works out to approximately \$105,000 per unit. 7 units at \$105,000 for a total additional funding needed amount of \$ 735,000.

This development is already approved for funding through the HCID AHTF Pipeline in the amount of \$9,200,000. This will NOT change. We are also going after The State of California HCD/VHHP Funding in the Fall of 2016 in the amount of \$9,876,730. This amount will NOT change. What will change is the Affordable Housing Program application that was asking \$1,000,000. We are now allowed to increase the funding application to \$1,500,000. That will give us a net of additional funding in the amount of \$500,000. The LIHTC applications current proforma is for \$11,427,716 in Tax Credits. This represents a price of \$1.02. We did our proforma for our Panama Apartments project and started at a price of \$1.02 and ended up with a price of \$1.12 which netted us an additional \$1,000,000 in tax credit equity. We will be able to maximize the equity on this deal as well through negotiations with our Tax Credit Syndicators of up to at least 5 Cents on the dollar. This will net us an additional \$200,000 to \$500,000 in Equity into the deal prior to construction closing in 2018.

In conclusion the addition of 7 units to this project will have no negative effect on entitlements and zoning and this change will have minimal financial impact on the project as we are allowed to apply for additional funding through both the AHP and LIHTC programs. The net additional funding we

could raise without asking the City or the State for more funding would be over \$800,000. This will cover the cost of adding the 7 units to the project.

Timing of Funding and Development for Hartford Villa Apartments:

If we are awarded LIHTC in June/July 2017 we will have 180 days to close all construction & HCID Loans, secure building permits and issue a notice to proceed to a General Contractor. Construction will take 18 months. Completion of the **Hartford Villa Apartments** will be anticipated by September 2019 with 100% occupancy **no later than December 31, 2019**. This is within the four year requirements per section VI, F, 1 of the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**. In the event of delay, the obligation to replace 100 units within the boundaries of the **DEVELOPMENT GUIDELINES AND CONTROLS FOR RESIDENTIAL HOTELS IN THE CITY CENTER AND CENTRAL INDUSTRIAL REDEVELOPMENT PROJECT AREAS**, and subject to the same restrictions set forth above, will remain until completed.

In the unlikely event that we are not awarded LIHTC in 2017, we would still be allowed to apply in the very next TCAC round. Additionally we could re-fashion the project as a 4% Bond Tax Credit deal. We also have the option of talking with our Development Partners mentioned in Section IV (Good Faith Efforts) and attempt to use their project as replacement housing options. Please note that SRO Housing Corporation has a 100% Success rate over the past 15 years and one dozen projects that show our expertise in the industry and our ability to bring proposed project to fruition. The Hartford Villa Apartments has secured \$9,200,000 in AHTF HCID funding and has Secured an Acquisition Loan in the amount \$7,896,000 of from the New Generation Fund LLC (NGF) in December 2015. This demonstrates the commitment from the City and NGF that maximizes our chances of a successful Tax Credit application. This project qualifies to apply for 9% LIHTC in the Non-Profit Homeless Apportionment Set-Aside. Basically this set aside takes priority when TCAC evaluates applications. The City of Los Angeles is guaranteed an allocation of funds within this set-aside specifically for the purpose of helping alleviate the Homeless epidemic. This set-aside also wins all tie-breakers in the event that there are more projects than funding available.

VI. Article XXXIV Approval

The production of the replacement affordable housing units is exempt from the provisions of Article XXXIV of the California Constitution pursuant to Health and Safety Code Section 37001(f), as the development consists of the replacement of existing dwelling units previously occupied by lower income households.