

0220-05151-0145

**TRANSMITTAL**

TO The City Council	DATE 9-9-19	COUNCIL FILE NO. 17-0090-S4
FROM The Proposition HHH Administrative Oversight Committee	COUNCIL DISTRICT All	

At its August 29, 2019 meeting, the Proposition HHH (Prop HHH) Administrative Oversight Committee (AOC) considered recommendations from the Prop HHH Citizens Oversight Committee (COC) relative to the attached report from the Housing and Community Investment Department (HCID) on the recommendations for the Prop HHH Housing Challenge Request for Proposals (RFP).

The Prop HHH AOC recommends, with a vote of two (2) to one (1), with the Chief Legislative Analyst voting no, that the City Council, subject to approval by the Mayor, approve the recommendations in the HCID report.



Richard H. Llewellyn, Jr.  
City Administrative Officer  
Chair, Proposition HHH Administrative Oversight Committee



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Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

## INTER-DEPARTMENTAL MEMORANDUM

TO: PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE

FROM: RUSHMORE CERVANTES, GENERAL MANAGER *[Signature]*  
LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT

DATE: AUGUST 16, 2019

REGARDING: PROPOSITION HHH HOUSING CHALLENGE REQUEST FOR PROPOSALS  
FUNDING RECOMMENDATIONS

### SUMMARY

On May 9, 2019, the Mayor's Office and the Los Angeles Housing + Community Investment Department (HCIDLA) issued the Proposition HHH Housing Challenge Request for Proposals (RFP). Through this report, the Mayor's Office and HCIDLA are requesting that the Mayor and City Council authorize the issuance of financial letters of commitment for six proposals. Staff reports for each of the six proposals are included in this report (Attachment A).

The total funding recommendation is \$120,000,000 for 975 new units of supportive housing. The estimated average total development cost (TDC) per unit for the six recommended proposals is \$351,965 per unit, as compared to the program-wide HHH average of \$511,325 per unit. The estimated average HHH subsidy for the six recommended proposals is \$114,000 per unit. If the recommendations of the Housing Challenge and the HHH Permanent Supportive Housing Loan Program 2018-2019 Call for Projects Round 3 (C.F. No. 17-0090-S8, CAO report dated June 15, 2018) are approved, the total number of supportive housing units funded under the HHH program would increase to 8,625, including 6,858 supportive housing units.

### RECOMMENDATIONS

- I. The General Manager of HCIDLA respectfully requests that the Proposition HHH Citizens Oversight Committee (COC) recommend to the Administrative Oversight Committee (AOC), for further consideration by the City Council and the Mayor, to authorize the following actions:
  - A. AUTHORIZE the General Manager of HCIDLA, or designee, to issue letters of financial commitment / Memorandum of Understanding (MOU) for each of the proposals identified in Table 2 of this report. The recommended projects are subject to the following conditions:
    - i. The final Proposition HHH Housing Challenge financial commitment will not exceed \$120,000,000, per the breakdown of proposals listed in Table 2; and

- ii. The disbursement of HHH program funds will take place after the lead developer obtains site control and enforceable commitments for all proposed project funding, including, but not limited to, the full amount of funding and/or tax credits proposed in the RFP application.
- B. AUTHORIZE the General Manager of HCIDLA, or designee, to make any necessary adjustments to the standard HHH loan Program (including but not limited to the below).
  - i. Mercy/LAFH/Abode's proposed use of a portion of their funding award (\$5MM out of \$40MM) as a short term Revolving Construction Loan Fund (RCLF) including but not limited to entering in an intercreditor agreement with a RCLF administrator (See Staff Report for additional terms).
  - ii. Daylight's proposal contemplates creating a two Tranche (Tranche A and Tranche B) loan for each of their 3 proposed projects (See Staff Report for additional terms).
- C. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute master loan agreements with the recommended proposers with terms acceptable to HCIDLA, subject to the approval of the City Attorney as to form;
- D. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute project-specific documents with terms acceptable to HCIDLA, including but not limited to loan security documents, subordination agreements, disposition & development agreements, and agreements governing project affordability requirements, prior to any disbursement of City funds are made under the terms of each master loan agreement, and subject to the approval of the City Attorney as to form;
- E. Request that the 2019-2020 Project Expenditure Plan (PEP) be amended to include the PEP proceeds to fund HHH Challenge projects once a project has reached funding readiness, as determined by HCIDLA;
- F. AUTHORIZE the General Manager of HCIDLA, or designee, and make any adjustments to the standard HHH Loan Program documents, which HCIDLA determines are required for projects to remain viable;
- G. ALLOW the transfer of the City's financial commitments under the master loan agreements to limited partnerships or other legal entities formed solely for the purpose of owning and operating each project in accordance with City and federal requirements; and,
- H. AUTHORIZE the General Manager of HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Officer, and instruct the Controller to implement the instructions.

## **BACKGROUND**

The Mayor and City Council authorized a set-aside of up to \$120 million of Proposition HHH bond authorization to issue the Housing Challenge RFP, with the goal of identifying alternative housing

typologies and/or innovative financial models to produce 1,000 new supportive housing units, as recommended by the COC and AOC. The highest-ranking proposals would reduce the typical cost and time of development, while offering a model that can be scaled and replicated. In particular, this program set out to fund proposals that clearly respond to the urgency of the City's homelessness crisis.

The Mayor's Office and HCIDLA issued the Housing Challenge RFP on May 9, 2019. Some of the key differences between the Housing Challenge and the HHH Permanent Supportive Housing Loan Program include:

- Proposers may submit an application before obtaining site control; and
- Proposers may request funding in the form of a subordinate loan for one project, or a reservation of up to \$40 million across multiple projects. If requesting a reservation, proposers were asked to provide a minimum funding request and a maximum funding request.

In response to the RFP, 19 applications were submitted by the June 24, 2019 deadline. The Mayor's Office and HCIDLA staff performed threshold and eligibility reviews for all 19 applications. At the conclusion of the review process, 14 of the proposals were identified as viable for the Housing Challenge and for further review. Note that one of the proposals was withdrawn by the proposer after the threshold and eligibility review, bringing the total number of proposals scored by the evaluation panel to 13. The review process is outlined below.

### **HHH HOUSING CHALLENGE REVIEW PROCESS**

#### **Threshold Review**

A critical component that contributes to a successful proposal includes well-prepared documentation that establishes a clear understanding of the requirements set forth in the Prop HHH Housing Challenge RFP. To that end, all of the 19 submitted applications underwent a threshold review process performed by HCIDLA staff to ensure that all required documents were completed and submitted in each organization's application by the submission deadline of June 24, 2019. Fifteen submitted applications passed the threshold review and advanced to the eligibility review and feasibility analysis.

#### **Eligibility Review and Financial Feasibility Analysis**

In addition to the threshold review, the Mayor's Office thoroughly reviewed each of the 15 applications for program and project eligibility requirements including, but not limited to, the following:

- Demonstrates proposed project(s) is ineligible or unfeasible under current HCID Prop HHH Call for Project guidelines;
- Proposed project(s) is located in the City of Los Angeles;
- Proposal application type is identified (Subordinate Loan or Prop HHH Reservation);
- Terms of Funding commitments meet limits in Section B - Program/Project Requirements;
- Funding Amounts meet limits stated in Section B - Program/Project Requirements;
- Projects must include ancillary space for the provision of on-site supportive services; and,
- All projects must utilize the Coordinated Entry System (CES) for tenant selection.



To determine financial feasibility, Mayor's Office staff reviewed each proposal's development costs and underwritten expenses. The financial feasibility analysis includes but is not limited to: 1) reasonableness of project construction costs and tax credit pricing assumptions; 2) review of estimated project rents to determine if they are reasonable and realistic; 3) review of cash flow after debt service to determine if cash flow is positive over the course of time; 4) review of project reserve accounts and replacement reserve levels to ensure amounts are appropriate and feasible; 5) review of the HHH per-unit funding to ensure that the amount is within the approved maximum HHH funding limits; and, 6) review of financial statements submitted by members of the development team to affirm sustainability of the ownership entity, and to safeguard completion of the project.

Fourteen applications passed the eligibility review; however, one application was withdrawn by the proposer, bringing the total number of applications to be scored to 13. These 13 proposers were invited to an optional in-person interview to present their proposals to a subset of the scoring panel.

#### Scoring Process

HCIDLA and the Mayor's Office anticipated that the Housing Challenge RFP could be competitive, so established a scoring structure to be employed if the total requested amount exceeded \$120 million. Given that the total requested amount of all 13 proposals that passed the threshold, eligibility review, and financial feasibility analysis exceeded \$235 million, the scoring procedure was utilized. Applications were scored based on points given for meeting the Housing Challenge Program Priorities. The seven program priorities, with corresponding points available, are outlined in Table 1, below. Proposals were required to receive a minimum score of 75 in order to be recommended for a funding commitment.

TABLE 1: PROGRAM PRIORITIES	
SCORING CATEGORY	POINTS AVAILABLE
Development Strategy	15
Organizational Structure, Experience, and Capacity	15
Design Features	15
Financing Structure and Cost Efficiency	30
Streamlined Entitlement / Permitting Path	10
Construction Timeline and Quality	10
Community Engagement	5
TOTAL	100

Staff from City departments, as well as a group of outside experts, were recruited to participate in the scoring panel that reviewed and scored each of the 13 applications that passed threshold, eligibility review, and financial feasibility analysis. Each panelist was assigned to score applications in at least one of the seven program priority areas. See Attachment B for the full list of scoring panelists.

Once all of the scores were compiled, Mayor's Office staff calculated the median and mean score for each application, and prepared a preliminary ranked list to be reviewed collectively by the scoring panel at a scheduled consensus meeting. In addition to the scoring panel, senior staff from the Mayor's Office, HCIDLA, and CAO were in attendance at the consensus meeting, where each proposal was discussed and reviewed for overall program feasibility, financial viability, and compliance with the Housing Challenge program regulations. Consensus was reached on a final ranked list of six proposals to be recommended for funding. Table 2 of this report provides a summary of the six recommended proposals scoring outcomes.

### Proposals Recommended for Funding

Table 2, below, provides a summary of the scoring outcomes for the recommended proposals, in addition to the type of units, HHH funding request, total development cost (TDC), and HHH funding recommendation.

Table 3, below, provides the development strategy for each recommended proposal, including the solution proposed, construction typology, financing structure, permitting path, and population(s) served.

TABLE 2: RANKED LIST AND SCORING OUTCOMES FOR RECOMMENDED PROPOSALS										
No.	Lead Developer	HHH Minimum Request	Estimated PSH Units	HHH Maximum Request	Estimated PSH Units	Recommended Funding	Estimated PSH Units	HHH Request/PSH	Estimated TDC/Unit	Points Awarded
1	Restore Neighborhoods LA	\$5,000,000	50	\$10,000,000	95	\$10,000,000	95	\$100,000	\$200,000	85.5
2	Daylight Community Development*	\$10,000,000	80	\$23,800,000	132	\$23,800,000	132	\$125,000	\$288,444	84
3	Abode, Mercy, LAFH	\$17,500,000	184	\$40,000,000	360	\$40,000,000	360	\$97,000	\$436,000	76.75
4	Flyaway Homes	\$16,000,000	160	\$40,000,000	390	\$19,500,000	195	\$100,000	\$322,301	76.33
5	Brilliant Corners	\$3,900,000	31	\$7,000,000	53	\$7,000,000	53	\$125,000	\$386,042	76
6	Bridge Housing	\$19,700,000	140	\$39,600,000	281	\$19,700,000	140	\$140,000	\$479,000	75
	TOTAL	\$72,100,000	645	\$160,400,000	1311	\$120,000,000	975	-	-	-
	AVERAGE	\$12,016,667	107.5	\$26,733,333	218.5	\$20,000,000	162.5	\$114,500	\$351,965	-

\*re: HHH/PSH, after Tranche B repayment in year 3; re: 132 units with reduced HHH \$, they would finance the gap with tax credits and increase NPLH, delaying project, increasing TDC

**TABLE 3: DEVELOPMENT STRATEGY DETAILS**

No.	Lead Developer	Service Provider	Proposed Manufacturer	Solution proposed	Construction Type	Financing structure	Permitting path	Population(s) served
1	Restore Neighborhoods LA	SSGHOPICS	N/A	"One Stop Shop" Model; team with expertise in development, architecture, financing, social services and property management; smaller by-right sites; simplified capital stack	Conventional	One Public Subsidy (HHH) and Private Debt Capital	By-right, AB 2162 & TOC	Chronically Homeless, Disabled, TAY, Single and Older Adults with Substance Abuse Disorders, those with Mental Health Challenges
2	Daylight Community Development	The People Concern	Decro	Replicable smaller site projects; modular construction; simplified capital stack	Modular	Two Public Subsidies (HHH and NPLH) and Private Debt	By-right, AB 2162 & TOC	Homeless, Chronically Homeless with co-occurring disorders
3	Abode, Mercy, LAFH	LA Family Housing	Factory OS	Standardized modular design; revolving loan fund to expedite development timeline; by-right zoning	Modular	Several Public Subsidies including HHH (a portion used as a RCLF), NPLH, and 4% LIHTCs	By-right, AB 2162	Formerly Homeless, Chronically Homeless with co-occurring disorders
4	Flyaway Homes	The People Concern	TruCo Stack	Modular shared housing; shared housing; simplified capital stack	Modular	One Public Subsidy (HHH) and Private Capital (Equity and Debt)	By-right, AB 2162 &/or TOC	Chronically Homeless Single Adults
5	Brilliant Corners	Brilliant Corners	N/A	Adaptive reuse of lighted or functionally obsolete buildings; simplified capital stack	Adaptive Reuse	Several Public Subsidies including HHH, NPLH, AHP.	By-right, SB35	Chronically homeless higher acuity adults age 26 or older
6	Bridge Housing	PATH Social Justice Learning Center	Prescient	Innovative building system and financing	Prefab steel structure	Several Public Subsidies including HHH, NPLH, 4% LIHTCs, and Private Capital through the use of Opportunity Zone Fund Equity	By-right, SB35	Formerly Homeless Families, TAY

### Proposals Not Recommended for Funding

Out of the total 13 proposals that were scored, seven were not recommended. One proposal was disqualified due to having an active application for the HHH Permanent Supportive Housing Loan Program Round 3 CFP. The remaining proposals did not receive the minimum score of 75 and thus were not considered for a funding recommendation. The primary reasons these proposals did not meet the minimum score include but are not limited to: 1) the proposal used a conventional financing structure and traditional construction typology, and therefore demonstrated a lack of innovation; 2) the construction timeline was unrealistic; 3) the construction cost estimate was unreasonably low; 4) the proposal lacked detailed information needed to determine feasibility.

Please see Table 4 on the next page for a list of all 13 scored proposals, with corresponding scores for each proposal.

Please see Table 5 on Page 8 of this report for a description of process improvements and innovation objectives identified for the six proposals recommended for funding.

TABLE 4: ALL APPLICATIONS SCORED FOR HHH HOUSING CHALLENGE

No.	Lead Developer	HHH Minimum Request	Estimated PSH Units	HHH Maximum Request	Estimated PSH Units	Recommended Funding	Estimated PSH Units	HHH Request/PSH	Estimated TDC/Unit	Points Awarded
1	Restore Neighborhoods LA	\$5,000,000	50	\$10,000,000	95	\$10,000,000	95	\$100,000	\$200,000	85.5
2	Daylight Community Development*	\$10,000,000	80	\$23,800,000	132	\$23,800,000	132	\$125,000	\$288,444	84
3	Abode, Mercy, LAFH	\$17,500,000	184	\$40,000,000	360	\$40,000,000	360	\$97,000	\$436,000	76.75
4	Flyaway Homes	\$16,000,000	160	\$40,000,000	390	\$19,500,000	195	\$100,000	\$322,301	76.33
5	Brilliant Corners	\$3,900,000	31	\$7,000,000	53	\$7,000,000	53	\$125,000	\$386,042	76
6	Bridge Housing	\$19,700,000	140	\$39,600,000	283	\$19,700,000	140	\$140,000	\$479,000	75
7	Meta**	N/A	N/A	\$2,799,000	20	-	-	\$139,950	\$495,088	N/A
8	Innovative Housing	\$6,000,000	43	\$8,400,000	60	-	-	\$140,000	\$292,620	72.2
9	RMG	\$4,750,000	95	\$13,150,000	263	-	-	\$50,000	\$217,701	70
10	LSA Capital: Hope on Main	N/A	N/A	\$9,300,000	93	-	-	\$100,000	\$448,867	68.75
11	AHF	N/A	N/A	\$24,800,000	262	-	-	\$94,656	\$172,722	63
12	LifeArk	N/A	N/A	\$7,500,000	60	-	-	\$125,000	\$433,561	57.5
13	LSA Capital: Hope on Western	N/A	N/A	\$8,820,000	63	-	-	\$140,000	\$436,604	56
	TOTAL	\$82,850,000	783	\$235,169,000	2134	\$120,000,000	975	-	-	-
	AVERAGE	\$10,356,250	97.9	\$18,089,923	164.2	\$20,000,000	162.5	\$113,585	\$354,535	-

\*re: HHH/PSH, after Tranche B repayment in year 3; re: 132 units with reduced HHH \$, they would finance the gap with tax credits and increase NPLH, delaying project, increasing TDC.

\*\*Proposer was disqualified due to having an active application for HHH Permanent Supportive Housing Loan Program Round 3

**TABLE 3: PROCESS IMPROVEMENT**

No.	Lead Developer	Process Improvement	Development Timeline	Construction Timeline	Innovation Objective	CD Location Target	Acquisition Strategy
1	RNLA	Better, cheaper, faster	24 months	12 months	"One Stop Shop" Model; simplified capital stack	405 N Westlake; CD 13; 1408 W 62nd St; CD 8; CDs 1, 2, 6, 7, 13, 14	Small lots, By-right, TOC, R3, R4 or C2, 4500-6000sf
2	Daylight	Better, cheaper, faster	18 months	8 months	Replicable modular construction; simplified capital stack	All but specifically CDs 2, 3, 15	Small corner lots, urban infill, TOC, R3, R4 or C2, 8000-12,000sf
3	Abode, LAFH & Mercy	Better, faster	19 months	10 months	Modular design; revolving loan fund	All districts	By-right, TOC, accessible for modular
4	Flyaway	Better, cheaper, faster	20 months	8 months	Modular shared housing; simplified capital stack	All districts	20,000sf lots, By-right, TOC
5	Brilliant Corners	Better, cheaper, faster	27 months	10 months	Adaptive reuse; simplified capital stack	CDs 1, 4, 6, 8, 9, 10, 13, 14, 15	Underutilized commercial properties, By-right, C1-C5, CR, CM
6	Bridge	Better, faster	29 months	14 months	Innovative building system, LIHTC with OZ	CDs 9, 10	Lots in Opportunity Zones

### Next Steps

Within two months of funding recommendation approval, each of the six proposals will enter into an MOU with HCIDLA, establishing the financing and development terms of the proposed strategy. Once the MOU has been executed, the development team will receive a Prop HHH reservation that will last for no more than four months. During this time, the development team must secure site control for individual projects before a portion of that reservation can convert to project-specific conditional commitments. Additionally, HCIDLA staff will underwrite each of the proposals that convert to projects before conditional commitments are made. Conditional commitments will last no longer than 12 months, and construction must be completed within 18 months. Funding will only be provided to individual resulting projects at or following construction loan closing, and only for eligible project development costs.

As part of an outside evaluation of the overall HHH Housing Challenge RFP, USC and Abt Associates will lead a research project that reviews the process and outcomes of the RFP.

### ATTACHMENTS:

1. Attachment A: Staff Reports -- Recommended Proposals
2. Attachment B: List of Scoring Panelists



**ATTACHMENT A:**  
**PROPOSAL STAFF REPORTS**

**STAFF REPORT**  
**Lead Developer: Restore Neighborhoods LA**

**PROGRAM DESCRIPTION**

RNLA has requested \$10 million to help create 95 Permanent Supportive Housing Units. They have developed the #RETHINK Housing model to streamline development and financing with a "One Stop Shop" model, consisting of a vertically-integrated team with expertise in development, architecture, financing, social services, and property management. Lessons learned from each project create efficiencies for the next and achieves economies of scale through replication. Further, Genesis LA provides a single source of financing for predevelopment, construction, and permanent financing. HHH will be the only other source of financing. #RETHINK housing projects are built on smaller lots, 4500 to 7500 square feet in size, which are readily available across the City and do not work for LIHTC projects. By using by-right land use incentives, no parking requirements, increased density for projects near transit, and expedited permitting for 100% PSH projects, the development timeline is compressed. Moreover, the development team has created efficient designs built upon archetypal Los Angeles housing typologies, such as bungalow courts and garden apartments. A typical 20-unit project of studio apartments will serve single individuals who have experienced homelessness and are in need of services. The #RETHINK team works directly with DHS so that each project will include a separate ICMS contract to deliver services.

**BORROWER AND PROPOSED OWNERSHIP STRUCTURE**

Owner will be RNLA-owned LLC (100%). #RETHINK Housing, LLC, which is owned 100% by Genesis LA, will control the sites until the projects are ready to pull permits and start construction, at which time an RNLA entity will acquire the site at-cost from #RETHINK Housing, LLC. Genesis LA will finance construction. HHH Innovation funds will be used by RNLA to reimburse Genesis for the land acquisition and to pay HHH generated costs (e.g. prevailing wage and bonding requirements).

**POPULATION SERVED**

The #RETHINK team expects to house those individuals identified by DHS as having the highest barriers to housing. They expect to serve residents who are chronically homeless, disabled, face mental health challenges, transition-aged youth, and single adults or older adults who experience substance use disorders. The team may also target individuals who are re-entering society post-incarceration.

**AFFORDABILITY STRUCTURE**

	PSH Total	AMI	Non-PSH	Manager	Total
Studio	95	50%			95
1 Bedroom				5	5
Total	95			5	100

**PERMANENT FUNDING SOURCES**

**Single Project Sources**

Genesis LA Loan	\$1,784,957
HHH	\$1,938,672
Developer Equity	\$226,864
<b>Total</b>	<b>\$3,950,493</b>

\*per single 20-unit project

**Total Borrower Program**

Genesis LA Loan	\$8,711,236
HHH	\$10,000,000
Developer Equity	\$1,139,992
<b>Total</b>	<b>\$19,851,227</b>

**CONSTRUCTION TIMELINE**

RNLA estimates a 12-month construction timeline.

**STAFF REPORT**  
**Lead Developer: Daylight Community Development**

**PROGRAM DESCRIPTION**

Daylight has requested \$23.8 million to help create 132 Permanent Supportive Housing Units. Daylight's program model focuses on construction of three (3) 100% permanent supportive modular housing projects utilizing non-tax credit well-funded public programs and new and encouraging zoning policy, to bring market-rate efficiencies to the affordable housing industry. Daylight's proposal contemplates creating a two Tranche (Tranche A and Tranche B) loan for each of their 3 proposed projects. Proposed Terms of the Loan are as follows:

1. The estimated total HHH loan amount for a single project is \$7,920,000 (\$180,000 per unit);
2. The Tranche A loan is an estimated \$5,500,000 (\$125,000 per unit) with a 55-year term, 3% interest rate, and with residual receipts payments starting in Year 3 after Tranche B (see below) is repaid;
3. The Tranche B loan is an estimated \$2,420,000 (\$55,000 per unit) with a proposed 0% interest rate, and fully repaid by Year 3 of project operations following construction completion and project stabilization. Tranche B is anticipated to fund at construction loan closing. Tranche B will be repaid in part from NOI level cash flow during the first three years of project operation. Three years after construction completion and building occupancy, Daylight will secure privately placed permanent financing. They will then repay the outstanding balance of Tranche B through the permanent loan proceeds.

Projects will include 44 one-bedroom units made from two 40-foot shipping containers, along with on-site amenities including communal kitchens, learning centers, conference rooms, laundry room and open space. They plan to build by-right, high density projects in smaller, urban, in-fill parcels in close proximity to other affordable housing projects operated by their partners to create operating efficiencies like sharing payroll and other operational resources. Their ultimate goal is to replicate this development model in each one of LA's community districts. Daylight expects the projects to be funded with No Place Like Home funds and HHH Housing Challenge funds.

**BORROWER AND PROPOSED OWNERSHIP STRUCTURE**

Daylight Community Development-owned LLC (100%)

**POPULATION SERVED**

Each development will serve chronically homeless and homeless individuals who have been assessed to be a match for permanent supportive housing. Those served will have a disability, mental illness, substance use disorder, and/or chronic physical illness or disability.

### AFFORDABILITY STRUCTURE

	PSH Total	AMI	Non-PSH	Manager	Total
1 Bedroom	132	30%			132
2 Bedroom				3	3
<b>Total</b>	<b>132</b>			<b>3</b>	<b>135</b>

### PERMANENT FUNDING SOURCES

#### **Single Project Sources**

HHH Tranche A	\$5,500,000
HHH Tranche B	\$2,420,000
No Place Like Home	\$5,060,000
Private (in Yr3 takes out Tranche B)	\$3,638,770
<b>Total</b>	<b>\$16,618,770</b>

\*Per single 45-unit project

#### **Total Borrower Program**

HHH Tranche A	\$16,500,000
HHH Tranche B	\$7,300,000
No Place Like Home	\$15,266,533
Private (in Yr3 takes out Tranche B)	\$10,940,568
<b>Total</b>	<b>\$50,007,101</b>

### CONSTRUCTION TIMELINE

Daylight estimates an 8-month construction timeline.

## **STAFF REPORT**

**Lead Developer: Abode Communities, Mercy Housing, and LA Family Housing**

### **PROGRAM DESCRIPTION**

Abode and team request \$40 million to build 360 Permanent Supportive Housing Units. The development team proposes to use a portion of their funding award (\$5MM) as a short-term Revolving Construction Loan Fund ("RCLF") with proceeds used to cover in-factory work and deposits for their Modular developments. Proposed Terms of the RCLF are as follows:

1. Closing simultaneously with all other financing;
2. Borrower, HCIDLA, and an approved Community Development Financial Institution (CDFI)/administrator will enter into an agreement to allow the funds to revolve quickly from one approved project to another. As modules are delivered on each site the standard construction lenders will disburse payment, and funds would revolve;
3. Repayment in 20 months or less with interest from construction loans;
4. Secured by both a subordinate interest in the property and by the borrower's ownership interest in the materials and work in the modular factory.

This well-experienced collaboration has designed a program that works to develop supportive housing faster and at a lower cost by standardizing modular design; cutting entitlement time by using state streamlining laws; utilizing a financing plan with modular construction in mind; and demonstrating cost savings with replicable modular construction. The program includes replicating a 60-studio-unit's modular project six times to create a total of 360 Permanent Supportive Housing Units. The expected construction timeline is 24 months, from start to occupancy, with the RCLF managed by a CDFI or other administrator to fund individual projects along with 4% LIHTCs and No Place Like Home Funds. Tenants will be an even mix of formerly homeless individuals and chronically homeless individuals, most of whom have a mental health diagnosis and co-occurring disorders. Site selection criteria include by-right zoning eligible for the streamlining provisions of AB 2162 and accessible for modular construction.

### **BORROWER AND PROPOSED OWNERSHIP STRUCTURE**

Abode Communities-owned LLC as Managing General Partner (0.01%) *or*  
Mercy Housing California owned LLC as Managing General Partner (0.01%)  
Limited Partner, yet to be determined (99.99%)

### **POPULATION SERVED**

The projects will provide half of housing units to formerly homeless individuals and half of housing units to chronically homeless individuals, most of whom have qualifying mental health diagnosis and/or co-occurring disorders (e.g. substance abuse, physical disabilities, and mental conditions).



## AFFORDABILITY STRUCTURE

	PSH Total	AMI	Non-PSH	Manager	Total
Studio	360	30%			360
2 Bedroom				6	6
<b>Total</b>	<b>360</b>			<b>6</b>	<b>366</b>

## PERMANENT FUNDING SOURCES

### **Single Project Sources**

Permanent Loan	\$4,432,600
HHH	\$5,786,551
NPLH	\$6,468,000
4% TCAC Equity	\$8,630,089
GP Equity / Deferred Developer Fee	\$892,908
<b>Total</b>	<b>\$26,210,147</b>

\*Per 61-unit project

### **Total Borrower Program**

Permanent Loan	\$30,640,708
HHH	\$40,000,000
NPLH	\$44,710,575
4% TCAC Equity	\$59,656,188
GP Equity / Deferred Developer Fee	\$6,172,299
<b>Total</b>	<b>\$181,179,770</b>

## CONSTRUCTION TIMELINE

The development team estimates a 10-month construction timeline.

**STAFF REPORT**  
**Lead Developer: Brilliant Corners**

**PROJECT DESCRIPTION**

Brilliant Corners requests a \$7 million HHH Reservation to develop up to three sites housing a total of 56 units (inclusive of manager units) to jumpstart an adaptive reuse multifamily initiative, which will be scaled up to address homelessness in the City of Los Angeles. The conversion of blighted or underutilized non-residential structures through adaptive reuse will reimagine buildings, revitalize neighborhoods and deliver much-needed supportive housing units. For instance, Brilliant Corners proposes the conversion of an existing church complex into 31 studio apartments with community space for higher acuity adults who are experiencing chronic homelessness with co-occurring issues.

**BORROWER AND PROPOSED OWNERSHIP STRUCTURE**

Brilliant Corners is a 501(c)(3) nonprofit (100%). The development team for this proposal brings together the three primary departments within Brilliant Corners: Housing Development, Supportive Housing Management & Case Management.

**POPULATION SERVED**

The projects will provide housing to chronically homeless and homeless individuals with a disability, mental illness, substance abuse disorder, and/or chronic physical illness or disability.

**AFFORDABILITY STRUCTURE**

	PSH Total	AMI	Non-PSH	Manager	Total
Studio	53	30%			53
1 Bedroom				3	3
Total	53			3	56

**PERMANENT FUNDING SOURCES**

**Single Project Sources**

Permanent Loan (CDFI)	\$1,988,331
HHH	\$3,875,000
NPLH	\$3,920,000
Federal Home Loan (AHP)	\$620,000
LA County Trust Fund	\$1,950,000
Total	\$12,353,331

\*Per single 32-unit project

PCL XL error

Subsystem: IMAGE

Error: ExtraData

Operator: ReadImage

Position: 4490