

TRANSMITTAL

To: **THE COUNCIL**

Date: **01/22/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

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

January 13, 2020

Council File: 19-0002-S161
Council Districts: Citywide
Contact Person/s:
Sara Wall (213) 808-8848
Sean Spear (213) 808-8901

Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL OF VARIOUS ACTIONS RELATIVE TO THE CITY'S JOINT-APPLICATION FOR THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT INFILL INFRASTRUCTURE GRANT PROGRAM 2019

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval, and requests authority to submit joint-applications for the projects listed below for the Infill Infrastructure Grant (IIG), a program of the California Department of Housing and Community Development (HCD), to authorize the General Manager of HCIDLA to continue the coordination of the IIG program, and instruct the Chief Legislative Analyst (CLA) to prepare a Resolution for the City Council and Mayor.

HCIDLA's current proposed Resolution is tied to C.F. No. 19-0002-S161, dated August 28, 2019, whereby HCIDLA was to provide comments on the proposed IIG guidelines. HCIDLA's comments were also transmitted to HCD on August 28, 2019. On October 30, 2019, HCD released the IIG Program Notice of Funding Availability (NOFA) 2019, making available approximately \$194 million to fund the construction of eligible housing projects. An estimated 45% of the funds are targeted for projects located in Southern California. IIG's primary objective is to promote infill housing development, with eligible uses including infrastructure improvements in support of higher-density affordable and mixed-income housing. Per the IIG Guidelines, all applications must include a locality or a public housing authority as a joint-applicant. The application submission deadline is February 18, 2020.

Due to the time constraint and the need to focus on the review of draft request packages from developers, and in order to assess which projects might be the most appropriate for joint application, HCIDLA was not able to obtain Council authority in advance of conducting a formal review process of the developer request packages.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward it to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. Retroactively AUTHORIZE the General Manager of HCIDLA, or his designee, to conduct a process to select joint-applications for the Infill Infrastructure Grant (IIG) Program Notice of Funding Availability (NOFA);
 - B. APPROVE the recommended list of projects for joint-applications as outlined in Table 2, below;
 - C. AUTHORIZE the HCIDLA General Manager, or designee, to execute, on behalf of the City, a joint-application for each of the selected Qualified Infill Projects (QIPs) with the QIP project sponsor for the IIG application process;
 - D. AUTHORIZE the HCIDLA General Manager, or designee, subject to the execution of the joint application, to sign, on behalf of the City of Los Angeles, all required IIG application legal documents for each of the approved projects that meet the IIG Program thresholds, subject to the City Attorney approval as to form and legality; and
 - E. INSTRUCT the Chief Legislative Analyst (CLA) to prepare a Resolution for City Council approval in support of the final IIG recommended projects that the City will submit as a joint-applicant.

BACKGROUND

Infill Infrastructure Grant Program

Assembly Bill 101, which was signed by Governor Newsom on July 31, 2019, re-established the Infill Infrastructure Grant (IIG) Program of 2019, as set forth in Health and Safety Code Sections 53559, 53559.1, and 53599.2 (added by Stats. 2019, ch. 159, §20). The City, through the Community Redevelopment Agency of Los Angeles (CRA/LA), has previously and successfully applied twice for IIG Program funds as a joint-applicant; once in 2008 (C.F. No 08-0002-S39), and again in 2009 (C.F. No. 09-0884).

As delineated in the bill, a locality or public housing authority must be a joint-applicant in all project applications. IIG is a competitive state-funded program (administered by HCD) with the primary objective to promote infill housing development. The Program provides grant assistance (without repayment) for infrastructure improvements necessary to facilitate new infill housing development.

All projects must have either been previously developed or be largely surrounded by development. Under the Program, grants are available as gap funding for infrastructure improvements necessary for specific residential or mixed-use infill development. Grant award amounts are determined by the affordability of the

property; the deeper the affordability of a project, the larger the potential award. Qualified Infill Project (QIP) awards have a maximum award amount of \$7.5 million.

Eligible improvements include development or reconstruction of parks or open space; water, sewer, or other utility service improvements; streets, roads, parking structures, transit linkages, transit shelters, traffic mitigation features, sidewalks, and streetscape improvements.

Grant assistance is awarded on a competitive basis using a self-scoring rubric. Applicant evaluation criteria includes housing density, project readiness, access to transit, proximity to amenities, and housing affordability.

Projects Invited to Submit a Request for Joint Application Package

HCIDLA developed a set of criteria (City Criteria) and requirements that align with the Department's goals and priorities and invited potential applicants for projects interested in joint-applying with the City that met the following conditions: that they be for Qualified Infill Project Applications, that they possess Existing Funding Commitments from the City, and that they meet the HCD Threshold requirements.

A. Qualified Infill Projects Applications Only

IIG funding can support both Qualified Infill Projects (QIP) and Qualified Infill Area (QIA) projects. QIAs are more extensive in the scope of work, and typically take place on City-owned land. They would also require collaboration and coordination with other City departments such as the Los Angeles Department of Water and Power and the Los Angeles Department of Building and Safety. Also, QIA projects would likely require the City to sign a Standard Agreement with HCD, making the City liable for project deliverables. Due to the timeline between the first week of December when the IIG application was released and the application deadline of February 18, 2020, there was not enough time to manage the complex coordination required to conduct the proper due diligence for a QIA proposal. Conversely, QIP projects required less coordination and addressed improvements only within the boundaries of the housing development, focusing on the needed infrastructure to build new affordable housing. Given the extensive multi-agency coordination needs and the liabilities associated with the QIA project typology, HCIDLA elected to accept applications for QIP projects only.

In communicating the opportunity to partner with the City in a joint-application, HCIDLA stated that QIA project proposals would not be accepted. As each project's proposal is reviewed with the detailed scope of work, all scopes will be verified to take place on the project's private property and not within the public right of way.

B. Only Projects with Existing Funding Commitments from the City

To avoid competing with other City priorities, HCIDLA invited only those applicants that have existing commitments from one of the City's housing development programs. Projects could have either been admitted into the City's Affordable Housing Trust Fund Managed Pipeline, have received a Proposition HHH funding commitment, be a recipient of a Conduit-Bond allocation, or have a project located on a City-owned site with a valid Exclusive Negotiating Agreement (ENA) or Disposition Development Agreement (DDA). Having approval from one of the City's existing funding programs means that the project has already undergone a certain level of feasibility review.

In addition to the two aforementioned requirements, the following City Criteria was established and communicated to prioritize request packages. HCIDLA would consider joint-application with projects that meet the following:

- Advance HCIDLA's prioritized planning and policy objectives to produce and preserve affordable housing near transit and in infill areas;
- Are 100% affordable housing projects;
- Are "shovel ready" and meet readiness requirements, which are defined as having 90% of total development costs fully-funded, with entitlements approved;
- Comply with the City's Policies, including all accessibility requirements. If the City is participating as a joint applicant, the Accessibility Covenants and requirements apply; and
- Advance and promote sustainable transit infrastructure and amenities that implement the City's Sustainable Plan as well as the Southern California Association of Government's (SCAG) Regional Transportation/Sustainable Plan.

C. HCD Threshold Criteria (as defined in the IIG Program NOFA and associated regulations)

To insure eligibility, projects were required to meet the following NOFA criteria:

- Have not started construction as of February 18, 2020;
- Can close and begin construction by October 2020; and
- Have a minimum self-score of 210, the lowest score to be competitive, per the IIG NOFA.

It should be noted that further review during the final application process is necessary to determine the projects recommended in this report; those additional review criteria are described in detail in the next section.

HCIDLA directly contacted the self-identified developer contacts for each project with a current HCIDLA funding award via email on December 11, 2019, to notify them of the IIG joint-application opportunity, and communicated both HCD's requirements and the City criteria that would be used to prioritize request packages. Those interested applicants were asked to submit the following: 1) a brief narrative about their project and scope of work; 2) a pro forma outlining the project's sources and uses; and 3) the project's self-scoring IIG Program rubric determining their competitiveness for an award.

Selection Process

HCIDLA received 23 request packages for QIP projects from developers. Each project was evaluated against the City Criteria and requirements set forth in the invitation to be considered. After the review, each project was assigned a priority-level of "high", "medium", or "low", using a combination of the project self-score (provided by the developer) and the level to which the project met the five City criteria.

Each project was given one point for meeting each of the five City Criteria, which are defined as:

1. **Score above 230:** The average score of all 23 requests was 235. One point was given to all projects that scored 230 and above.
2. **“True need” for gap funding:** Reviewing project proformas, one point was given to projects that met readiness requirements and had financing for at least 90% of their total development costs secured.
3. **100% Affordable:** One point was given for projects with 100% of its units planned to be affordable.
4. **Land Development or Managed Pipeline Projects:** One point was given for projects that are part of the Land Development and/or Managed Pipeline programs. Because the City was already heavily invested in these two types of projects, it is a priority that these projects successfully close.
5. **HHH Funding or Supportive Housing Units:** One point was given to projects with existing HHH commitments and/or with supportive housing units. Housing for the community’s most vulnerable is a priority of the Department.

The number of “met” criteria was totaled against five. This number was used in tandem with the self-score to holistically assess how well the project reflected the goals and priorities of the City.

After determining all project’s scores, the high, medium and low categories were further refined.

1. **High-Priority Projects:** Projects that score of 230 or above and met at least four out of the five City Criteria were defined as “high priority” and are being strongly recommended for co-application to the Council.
2. **Medium- Priority Projects:** Projects scoring between 220-229 and met at least three out of the five City Criteria were defined as “medium priority” and are being recommended for co-application to the Council.
3. **Low-Priority Projects:** Projects scoring below 220 and met at least two out of the five City Criteria were defined as “low priority” and are not being recommended to the Council for co-application at this time.

It should be noted that “Project Readiness” is the IIG NOFA’s largest scoring category, worth 100 out of the maximum 250 points, hence HCIDLA’s heavy emphasis on the project self-score in the City’s prioritization. This category includes 30 points for environmental review status, 30 points for land use entitlement status and secured funding commitment levels at 20 points. Because the score is critical to the ultimate success of their application, both the score and City Criteria were weighted equally in determining the priority level. However, in order to include those projects that score slightly below average, HCIDLA determined that all projects with a score of 230 or higher would receive a point, so that both medium and high-priority projects could be included in the list of recommended projects.

Based on the initial and limited assessment of the 23 request packages (see Table 1, below), up to 17 projects are recommended to the Council for joint-application approval (see Table 2, below).

TABLE 1: LIST OF PROJECTS RECEIVED

No.	Project Name	Address	Developer	Score 230 or Over	"True" Gap Funding Need	100% Affordable	City-Owned, Land Dev. Unit or Managed Pipeline Project	HHH or SH	Total	Self-Score	Priority
1	Lorena Plaza	3401 E. 1st St.	A Community of Friends	x	x	x	x	x	5 out of 5	230-250	High
2	Sun Commons	12673 San Fernando Rd.	Abbey Road, Inc.	x	x	x	x	x	5 out of 5	249	High
3	La Veranda	2420 E. Cesar Chavez Ave.	Abode Communities	x	x	x	x	x	5 out of 5	250	High
4	Grandview Apartments	714 - 760 S. Grandview St.	Abode Communities	x	x	x		x	4 out of 5	235	High
5	206 Washington Apartments	206 E. Washington Blvd.	AMCAL Multi-Housing Inc.	x	x	x	x	x	5 out of 5	248	High
6	Vermont Manchester	8400 S. Vermont Ave.	Bridge Housing	x	x	x		x	4 out of 5	248	High
7	Montesquieu Manor (Enlightenment Plaza – Phase II)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies		x	x		x	3 out of 5	217	Low
8	Rousseau Residences (Enlightenment Plaza – Phase I)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies		x	x		x	3 out of 5	217	Low
9	Voltaire Villas (Enlightenment Plaza – Phase III)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies		x	x		x	3 out of 5	217	Low
10	Palm Vista Apartments	20116 - 20128 Sherman Way	GTM Holdings, LLC		x	x		x	3 out of 5	227	Medium
11	Parthenia Place	8767 Parthenia Pl.	Hollywood Community Housing Corporation		x	x	x	x	4 out of 5	215	Low
12	Santa Monica and Vermont	4718 W. Santa Monica Blvd.	Little Tokyo Service Center	x	x	x		x	4 out of 5	241	High
13	619 Westlake	619 S. Westlake Ave.	Meta Housing Corporation; WAC, L.P. and Related		x	x	x	x	4 out of 5	228	Medium
14	Silva Crossing	12667 San Fernando Rd.	Meta Housing Corporation; WAC, L.P. and Related	x	x	x	x	x	5 out of 5	239	High
15	Washington Arts Collective	4600 & 4601 W. Washington Blvd.	Meta Housing Corporation; WAC, L.P. and Related	x	x	x	x	x	5 out of 5	230	High

TABLE 1: LIST OF PROJECTS RECEIVED

No.	Project Name	Address	Developer	Score 230 or Over	"True" Gap Funding Need	100% Affordable	City-Owned, Land Dev. Unit or Managed Pipeline Project	HHH or SH	Total	Self-Score	Priority
16	9th Street Lofts	456 - 462 W. 9th St.	National Comm. Renaissance, CA and LINC Housing Corp.	x	x	x	x		4 out of 5	250	High
17	Hollywood Arts Collective	1637 N. Wilcox Ave.	Thomas Safran & Associates Development, Inc.		x		x		2 out of 5	228.57	Low
18	Parkview	4020 Compton Ave.	Thomas Safran & Associates Development, Inc.		x	x			2 out of 5	219	Low
19	Thatcher Yard	3233 S. Thatcher Ave.	Thomas Safran & Associates and St. Joseph Center	x	x	x	x	x	5 out of 5	230	High
20	Amani Apartments	4200 W. Pico Blvd.	Wakeland Housing and Development Corporation	x	x	x		x	4 out of 5	250	High
21	Chesterfield Apartments	4719 S. Normandie Ave.	Wakeland Housing and Development Corporation	x	x	x		x	4 out of 5	250	High
22	Quincy	2652 & 2662 Pico Blvd.	Wakeland Housing and Development Corporation	x	x	x		x	4 out of 5	250	High
23	600 San Pedro	600 San Pedro St.	Weingart Center Association and Related	x	x	x		x	4 out of 5	250	High

Priority System	Recommendation	No. of Requests
High Priority: Score 230 or above and 4/5 criteria; must have both	Recommended to Council	15
Medium Priority: Score 229-220+ and 3/5 criteria; must have both	Recommended to Council	2
Low Priority: Score below 220 and 2/5 criteria	Not Recommended to Council	6
	TOTAL:	23

Recommended Projects

Table 2, below, lists the recommended 17 joint-applicant projects. These 17 projects will undergo additional review prior to the application deadline, which includes a careful review of detailed information they will submit to HCD. At that time, HCIDLA will verify the accuracy of each project's scope of work to ensure it is not a QIA project, or if any part occurs in the public right away or on public property. If any elements in the proposal trigger the Standard Agreement, HCIDLA reserves the right to withdraw the City's support for the application.

TABLE 2: RECOMMENDED PROJECTS						
No.	Project Name	Address	Developer	Council District	Units	Request Amount
1	Lorena Plaza	3401 E. 1st St.	A Community of Friends	14	49	\$3,000,000
2	Sun Commons	12673 San Fernando Rd.	Abbey Road, Inc.	2	103	\$7,271,980
3	La Veranda	2420 E. Cesar Chavez Ave.	Abode Communities	14	77	\$2,000,001
4	Grandview Apartments	714 - 760 S. Grandview St.	Abode Communities	1	100	\$1,600,000
5	206 Washington Apartments	206 E. Washington Blvd.	AMCAL Multi-Housing Inc.	10	103	\$4,700,000
6	Vermont Manchester	8400 S. Vermont Ave.	Bridge Housing	8	118	\$7,000,000
7	Palm Vista Apartments	20116 - 20128 Sherman Way	GTM Holdings, LLC	3	91	\$4,166,400
8	Santa Monica and Vermont	4718 W. Santa Monica Blvd.	Little Tokyo Service Center	13	187	\$7,498,464
9	619 Westlake	619 S. Westlake Ave.	Meta Housing Corporation; WAC, L.P. and Related	1	78	\$1,800,000
10	Silva Crossing	12667 San Fernando Rd.	Meta Housing Corporation; WAC, L.P. and Related	7	56	\$1,381,968
11	Washington Arts Collective	4600 & 4601 W. Washington Blvd.	Meta Housing Corporation; WAC, L.P. and Related	10	53	\$7,630,200
12	9th Street Lofts	456 - 462 W. 9th St.	National Community Renaissance of California and LINC Housing Corporation	15	91	\$2,000,000
13	Thatcher Yard	3233 S. Thatcher Ave.	Thomas Safran & Associates and St. Joseph Center	11	98	\$2,750,000
14	600 San Pedro	600 San Pedro St.	Weingart Center Association and Related	14	298	\$7,000,000
15	Amani Apartments	4200 W. Pico Blvd.	Wakeland Housing and Development Corporation	10	54	\$3,480,192
16	Chesterfield Apartments	4719 S. Normandie Ave.	Wakeland Housing and Development Corporation	8	43	\$3,480,192
17	Quincy	2652 & 2662 Pico Blvd.	Wakeland Housing and Development Corporation	1	54	\$3,480,192
				TOTAL:	1653	\$70,239,589

The above 17 recommended projects consist of approximately 1,653 family and senior units, and 1,010 supportive housing units, located within ten (10) City Council Districts. In addition, the proposed aggregate application request amount would be approximately \$70.2 million.

Projects Not Recommended

Low Priority projects, those with a self-score of less than 220 and meeting as few as two out of the five City Criteria, are judged to have very slim likelihood of receiving an IIG award. Table 3, below, lists the projects not being recommended at this time:

TABLE 3: PROJECTS NOT RECOMMENDED						
No.	Project Name	Address	Developer	Council District	Units	Request Amount
1	Montesquieu Manor (Enlightenment Plaza – Phase II)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies	13	48	\$2,068,578
2	Rousseau Residences (Enlightenment Plaza – Phase I)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies	13	58	\$2,451,648
3	Voltaire Villas (Enlightenment Plaza – Phase III)	316 N. Juanita Ave.	Flexible PSH Solutions Inc. and The Pacific Companies	13	73	\$3,141,174
4	Parthenia Place	8767 Parthenia Pl.	Hollywood Community Housing Corporation	6	73	\$2,080,000
5	Hollywood Arts Collective	1637 N. Wilcox Ave.	Thomas Safran & Associates Development, Inc.	13	152	\$5,500,000
6	Parkview	4020 Compton Ave.	Thomas Safran & Associates Development, Inc.	9	127	\$3,900,000
TOTAL:					531	\$19,141,400

Joint-Application Risk and Liability

HCIDLA’s approach is to support projects that the City has invested in and obtain the critical gap financing they need to close, while minimizing risk and liability. Moreover, HCIDLA only allowed projects that have an existing commitment to apply, because these projects have already been vetted internally and undergone a feasibility review.

The IIG Guidelines state, “where a locality or public housing authority is participating in the Program pursuant to Section 307 (d)(2), and has no on-going ownership interest in the Capital Improvement Project, that locality shall not be required to be party to the Standard Agreement.” Unlike the Affordable Housing and Sustainable Communities (AHSC) Program, which requires the City to sign a Standard Agreement for every project, IIG does not. The City has no ongoing ownership in any of the aforementioned projects, therefore the City will not be required to sign HCD’s Standard Agreement. Since, the City does not sign the Standard Agreement, which is between the developer and HCD, the City is not liable for the deliverables of

the project. Again, HCIDLA considered only Qualified Infill Project (QIP) applications, and not Qualified Infill Area (QIA) applications, because they were less likely to require the Standard Agreement.

In addition, funding will be dispersed to developers on a reimbursement basis, using the typical construction draw format. The City will not be responsible for handling any funds. The only required legal documents from the City will be a Resolution with a wet signature for each joint-application, which must be executed before the deadline of February 18, 2020. To execute each joint-application, HCIDLA staff will continue to coordinate with each developer on all aspects of the application process. See Table 4, below, for the proposed IIG Program timeline.

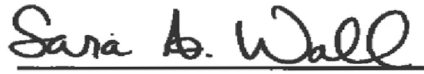
TABLE 4: TIMELINE FOR IIG PROGRAM 2019

Name	Date	Purpose	Status
Transmittal	January 2020	Issue recommendations for joint-applicant list, related instructions, and requested authorities	In process and will be expedited through the transmittal system
City Council Resolution	January/February 2020	Introduce and adopt City Council Resolution approving the list of recommended IIG joint-applicant of projects, authority to execute joint applications, authorize the HCIDLA General Manager, or designee, to execute state-mandated application documents and other related authorities to successfully submit an IIG application, due on February 18, 2020	Expected for Council meeting during first week of February
Finalize Application and Submit	Before February 18, 2020	Submit for approximately \$70.2M in state IIG funding	
HCD IIG Awards Announcement	April 2020		

FISCAL IMPACT

Approval of the recommendations in this report will have no cost to the City and no impact on the General Fund. The grant will be issued to the Project Sponsor on a reimbursement basis with the City handling no funds.

Prepared By:



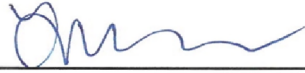
SARA A. WALL
Community Housing Programs Manager

Reviewed By:



SEAN L. SPEAR
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager