


REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 24, 2020

CAO File No. 0220-00540-1429
Council File No. 20-0159
Council District: 1, 2, 8, 9, 10, 13, & 15

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer 

Reference: Housing and Community Investment Department transmittals dated January 29, 2020 and February 12, 2020; Received by the City Administrative Officer on February 6, 2020 and February 12, 2020; Additional Information Received through February 24, 2020

Subject: **REQUEST FOR AUTHORITY TO ISSUE FUNDING COMMITMENTS AND SUPPORT LETTERS TO EXISTING AFFORDABLE HOUSING MANAGED PIPELINE PROJECTS APPLYING TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (CTCAC) IN 2020 ROUND 1 AND VARIOUS ACTIONS RELATED TO OTHER EXISTING MANAGED PIPELINE PROJECTS**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, authorize the General Manager of the Los Angeles Housing and Community Investment Department (HCID), or designee, to:

1. Issue a funding recommendation letter for the Sun Commons and 9th Street Lofts projects identified in Table 1 of this report, subject to the following conditions:
 - a. The final funding commitment will not exceed the amount listed;
 - b. The project sponsor must apply to the California Tax Credit Allocation Committee in the next available Low Income Housing Tax Credits (LIHTC) allocation round; and,
 - c. The disbursement of HCID funds will occur only after the sponsor obtains enforceable commitment for all proposed funding;
2. Issue a Nine Percent LIHTC letter of support for the 9th Street Lofts and La Prensa Libre Apartments (nine percent) projects in the Geographic set-aside, as identified in Table of 1 of this report;
3. Negotiate and execute acquisition/ predevelopment/ construction/ permanent loan agreements with the legal owners of all of the projects identified in Tables 1 and 2 of this report, which receive awards from the proposed leveraging sources, subject to the

satisfaction of all conditions and criteria contained in the HCID Pipeline application, HCID's transmittal, and the HCID Award Letter (if applicable), and the review and approval of the City Attorney as to form;

4. Execute subordination agreements of the City's financial commitment for all of the projects identified in Tables 1 and 2 of this report, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally funded construction and permanent loans, as required; and,
5. Allow the transfer of the City's financial commitment for all of the projects identified in Tables 1 and 2 of this report to a limited partnership or other legal entity formed solely for the purpose of owning and operating the project in accordance with City and Federal requirements;
6. Obligate funds for the projects listed below:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
9 th Street Lofts	561/43	43R011	AHTF	\$6,000,000
Sun Commons	561/43	43R011	AHTF	<u>3,000,000</u>
			Total:	\$9,000,000

7. Negotiate and execute amendment documents related to the existing Bryson Apartments (Phase I, C-96792, C-118685) and the Bryson II (Phase II) affordable housing developments, to include, but are not limited to, the following revisions: a) consent to the purchase and sale between Bryson Family Apartments, L.P. and Bryson Housing Partners II resulting in the partial paydown of the existing loans for Bryson Apartments, and b) amend existing loan agreements to revise the legal description which would result in a partial release of the affordability covenant and deed of trust on the Bryson II property, subject to review and approval of the City Attorney as to form; and,
8. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue Low Income Housing Tax Credits (LIHTC) Letters of Support for two existing projects (9th Street Lofts and La Prensa Libre Apartments, Nine Percent) in HCID's Affordable Housing Managed Pipeline (AHMP) applying for Nine Percent LIHTC, and new Funding Commitment Letters for two projects (Sun Commons and 9th Street Lofts) in the AHMP applying for Nine Percent LIHTC in the California Tax Credit Allocation Committee (CTCAC) 2020 Round 1. It should be noted that La Prensa Libre Apartments is applying to Nine Percent and Four Percent LIHTC, but no Letter of Support is needed for the Four Percent application. The HCID proposes to fund Sun Commons

and 9th Street Lofts with the HOME Investment Partnership Program (HOME) Fund. The projects applying for Nine and Four Percent LIHTC and the requested funding commitments for existing AHMP projects are shown in Table 1 of this report.

Table 1: Nine and Four Percent LIHTC Projects Competing in CTCAC 2020 Round 1

Project	C.D.	No. of Units	Requested HCID Funding	Total HCID Funds
Non-Profit/Homeless Set-Aside (Nine Percent LIHTC)				
67 th and Main	9	52	-	\$7,180,000*
Sun Commons	2	103	\$3,000,000	15,000,000*
City of Los Angeles Geographic Set-Aside (Nine Percent LIHTC)				
9 th Street Lofts	15	91	6,000,000	6,000,000
La Prensa Libre Apartments	9	42	-	1,651,192
Subtotal for Nine Percent LIHTC		336	9,000,000	29,831,192
Four Percent LIHTC				
La Prensa Libre Apartments	9	63	-	6,334,820
TOTAL		351	\$9,000,000	\$36,166,012

* Proposition HHH Supportive Housing Loan Program funds included

Subsequent to the release of HCID's transmittal dated January 29, 2020, HCID released an Addendum dated February 12, 2020 (Addendum) requesting to recommend five additional projects for the CTCAC 2020 Round 1. Two existing AHMP projects (Bryson II and Vanowen) will apply for the Special Needs set-aside, while HCID recommends three additional projects (Amani, Ambrose-Montana, and Quincy) for a Further Consolidated Appropriations Act (FCAA) set-aside for Nine Percent LIHTC. Additional information on the Special Needs and FCAA set-asides is included in HCID's Addendum. Subsequent to the release of HCID's Addendum, the Department requested to include Depot at Hyde Park as an additional project for the FCAA set-aside, for a total of six additional projects for the CTCAC 2020 Round 1. The staff report for Depot at Hyde Park and HCID's memo with additional information on Depot at Hyde Park's selection are attached to this report. The six additional projects are listed in Table 2 of this report.

Table 2: Additional Nine Percent LIHTC Projects Competing in CTCAC 2020 Round 1

Project	C.D.	No. of Units	Initial HHH Commitment	Revised HHH Commitment
Special Needs Set-Aside (Nine Percent)				
Bryson II	1	64	\$10,095,000	\$10,060,000
Vanowen	2	49	4,900,000	4,900,000
	Subtotal	113	14,995,000	14,960,000
Further Consolidation Appropriations Act Set-Aside (Nine Percent)				
Amani	10	54	11,410,000	5,300,000
Ambrose-Montana	13	64	6,641,400	6,300,000
Quincy	1	54	3,550,000	3,550,000
Depot at Hyde Park	8	43	8,160,000	6,840,000
	Subtotal	215	29,761,400	21,990,000
	TOTAL	328	\$44,756,400	\$36,950,000

The Department states that the conversion of the six projects in Table 2 above from Four Percent LIHTC to a Nine Percent LIHTC financing structure will increase the development of supportive housing units from 240 to a total of 297 units. The HCID also states that the Proposition HHH funds required to fund these projects will decrease from \$44.7 million to approximately \$37 million. The HCID notes that if the proposed revised financing structure is successful, the \$7.7 million savings in Proposition HHH funds would become available for other projects in a future Call for Projects.

The HCID further requests authority to negotiate and execute agreements with all of the projects listed in Tables 1 and 2 above for acquisition, predevelopment, construction and permanent loans in the amounts identified, and to subordinate City loans and regulatory agreements. The HCID also requests authority to transfer the City's financial commitments for the projects receiving HCID funding to a legal entity formed for the sole purpose of owning and operating one of those projects.

Bryson Apartments (Phase I) and Bryson II (Phase II)

The Addendum to HCID's January transmittal requests authority to amend existing loan documents for Bryson Apartments (Phase I) and Bryson II (Phase II) affordable housing developments. The proposed amendments would allow Bryson Apartments to sell an underutilized parking lot with no parking covenants to the adjacent affordable housing project, Bryson II, in order for Bryson II to build additional affordable housing. Proceeds from the sale will be used to pay down an existing Emergency Efficiency and Conservation Block Grant (EECBG) loan for Bryson Apartments with a principal balance of \$240,127 and accrued interest of \$58,644 projected through February 28, 2020. The HCID states that payment of the EECBG loan would be considered Community Development Block Grant (CDBG) program income, which would be reprogrammed to other projects through the Consolidated Plan budget process. Any remaining sale proceeds would then be used to pay down an existing Section 108 loan for Bryson Apartments with a principal balance of \$3,600,089 and accrued interest of \$3,322,073 projected through February 28, 2020. As with the EECBG loan, payment of the Section 108 loan would be

considered CDBG program income available for allocation to other projects through the Consolidated Plan budget process.

Additional proposed amendments to existing loan documents would result in a partial release of the affordability covenant and deed of trust on the Bryson II property. The HCID states that Bryson II would eventually record the Proposition HHH regulatory agreement along with the LIHTC agreement which would include affordability covenants. This Office concurs with the recommendations of the Department, as amended, to clarify the applicable projects for various recommendations.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The Affordable Housing Managed Pipeline commitments are fully funded by the HOME Investment Partnerships Program Fund and Proposition HHH Supportive Housing bond proceeds. Repayment of existing City loans for Bryson Apartments from the sale of an underutilized parking lot with no parking covenants to the adjacent Bryson II affordable housing development will be considered program income and reprogrammed to future projects through the Consolidated Plan budget process.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

RHL:EIC:02200117c

Attachments

Date: February 20, 2020

TO: Office of the City Administrative Officer

FROM: Housing and Community Investment Department

SUBJECT: ADDENDUM TO HCIDLA TRANSMITTAL REQUEST FOR AUTHORIZATION TO ISSUE COMMITMENTS AND SUPPORT LETTERS TO EXISTING AFFORDABLE AND SUPPORTIVE HOUSING MANAGED PIPELINE PROJECTS APPLYING TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE IN 2020 ROUND 1 AND VARIOUS ACTIONS RELATED TO OTHER EXISTING MANAGED PIPELINE PROJECTS

The Los Angeles Housing + Community Investment Department (HCIDLA) previously submitted an Addendum, dated February 12, 2020, to the original recommendation for AHMP projects applying to the CTCAC 2020 Round 1. HCIDLA recommends adding one more project to the list applying under the Further Consolidated Appropriations Act 2020 (FCAA) set-aside.

The Depot at Hyde Park is a Proposition HHH project which applied to both, the CTCAC and CDLAC. On January 15, the project was awarded LIHTC from CTAC. However, subsequently, on February 18, the project was unsuccessful in obtaining tax-exempt bonds from CDLAC. Therefore, the best option is to convert the project from a 4% financing structure to a 9% LIHTC financing structure. Attached is the Staff Report based on the 9% LIHTC.

Below is the revised Table 3 with a total of 6 additional projects. The conversion of the six projects from 4% LIHTC to a 9% LIHTC financing structure will increase the development of supportive housing units from 240 to a total of 297 units. The Proposition HHH funds required to fund these projects will decrease from \$44.7 million to approximately \$37 million.

TABLE 3: ADDITIONAL AHMP PROJECTS COMPETING IN CTCAC 2020 ROUND 1								
Project Name	Council District (CD)	Project Type	Total Units	Previous SH Units	Revised SH Units	Low Income (LI) Units	Initial HHH Commitment	Revised HHH Commitment
Special Needs Set-Aside								
Bryson II	1	New Construction	64	32	47	16	\$10,095,000	\$10,060,000
Vanowen PSII	2	New Construction	49	48	48	0	\$4,900,000	\$4,900,000
Sub-Total			113	80	95	16	\$14,995,000	\$14,960,000
FCAA set-aside								
Amani	10	New Construction	54	53	53	0	\$11,410,000	\$5,300,000
Ambrose- Montana	13	New Construction	64	48	63	0	\$6,641,400	\$6,300,000
Quincy	1	New Construction	54	26	53	0	\$3,550,000	\$3,550,000
Depot at Hyde Park	8	New Construction	43	33	33	9	\$8,160,000	\$6,840,000
Sub-total			215	160	202	9	\$29,761,400	\$21,990,000
TOTAL			328	240	297	25	\$44,756,400	\$36,950,000

**STAFF REPORT
February 19, 2020**

**Depot at Hyde Park
6527-6531 Crenshaw Blvd.
Los Angeles, CA 90043**

**New Construction
Council District 8**

PROJECT DESCRIPTION

Depot at Hyde Park in South Los Angeles will be a 43 unit new construction development consisting of 22 1-bedrooms, 11 2-bedrooms and 11 3-bedrooms and approximately 1500 sf of ground floor retail space. Designed with the history of the Hyde Park neighborhood in mind, the architects thoughtfully designed the Depot at Hyde Park to look like a modern train station depot. GTM Holdings, LLC was selected to develop the site of the former and now closed Hyde Park Library site. To maximize the potential of the library site, they purchased the 10 unit apartment building directly to the south of the site. Depot at Hyde Park will require the demolition of the library site as well as the 10 unit apartment building. In demolishing the 10 1-bedroom units, Depot at Hyde Park will replace those existing 10 bedrooms with 77 new bedrooms.

Common space amenities are expected to include a drought tolerant landscaped central courtyard, 877 square feet of community room space on the 2nd floor, onsite laundry facilities and a community playground for the families living at Depot at Hyde Park.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Depot at Hyde Park Partners, LP currently owns the building at 6531 Crenshaw Blvd. GTM Holdings, LLC ("GTM") was selected as the developer for 6527 Crenshaw Blvd. in HCIDLA's RFP/Q dated July 2016 and intends to have Depot at Hyde Park Partners, LP become the owner for the 6527 Crenshaw site. Currently Depot at Hyde Park Developers, LLC is the sole general partner for Depot at Hyde Park Partners, LP but we intend to admit Women Organizing Resources, Knowledge and Services ("WORKS") or an affiliated entity as the Managing General Partner. GTM and WORKS will be co-developers of the Depot at Hyde Park.

1. Women Organizing Resources, Knowledge and Services ("WORKS") as Managing General Partner (0.0051%)
2. GTM Holdings, LLC as Co-General Partner (0.0049%)
3. Limited Partner, who has yet to be determined (99.99%)

POPULATION SERVED

Depot at Hyde Park will provide units serving Homeless Individuals, Homeless Families and Affordable Families.

AFFORDABILITY STRUCTURE

Unit Type	30% AMI	50% AMI	MGR	Total	HHH PSH Funded	HHH Non-PSH Funded
1 Bedroom	22	1		23	22	1
2 Bedroom	8	1	1	10	8	2
3 Bedroom	3	7		10	3	7
Total	33	9	1	43	33	9

PERMANENT FUNDING SOURCES

Source	Amount
HCIDLA HHH- PSH	5,940,000
HCIDLA HHH – Non-PSH	900,000
LIHTC TCAC Equity – 9%	14,774,514
Conventional/ Bank Financing	3,000,000
LACDA - NPLH	3,170,000
Land Seller Carryback Loan	\$440,000
Deferred Developer Fee	0
Total	\$28,224,514

FUNDING RECOMMENDATION

A HCIDLA funding commitment of up to \$6,840,000 is recommended. HHH funds will represent \$159,070 per unit and 24% of the total development cost. The HHH funding is leveraged with an LACDA loan, Conventional Bank loan, a seller carryback note and tax credit equity.

Prepared: Los Angeles Housing and Community Investment Department