



ERIC GARCETTI
MAYOR

April 2, 2020

Honorable Members of the City Council
c/o City Clerk
200 N. Spring Street, Room 395
Los Angeles, CA 90012

Re: Proposition HHH Housing Challenge Program: Site Approval Recommendations Submission I

Dear Honorable Members:

Transmitted herewith for City Council consideration are eight proposed supportive housing projects to be financed through the HHH Housing Challenge, a \$120 million set-aside of HHH funds to finance alternative approaches designed to reduce project costs and timelines.

On May 9, 2019, upon the recommendation of the HHH Citizens Oversight Committee, the Mayor's Office and the Los Angeles Housing + Community Investment Department (HCIDLA) issued the Proposition HHH Housing Challenge Request for Proposals (RFP). On October 16, 2019 the Mayor and City Council authorized HCIDLA to enter into a Memorandum of Understanding (MOU) with each of the six development teams selected through the RFP. These Memoranda were executed by the development teams on January 10, 2020.

As recommended by the Homelessness and Poverty Committee and approved by City Council on October 16, 2019 (File No. 17-0090-S4), the General Manager of HCIDLA, or designee, with assistance from the City Attorney, will negotiate project-specific financial commitments and related documents with terms acceptable to HCIDLA, including but not limited to loan agreements, loan security documents, subordination agreements, disposition and development agreements, and agreements governing project affordability requirements and report to City Council for approval within 180 days for those projects that have secured site control.

Currently, four of the six selected developers have secured site control of eight sites. Pursuant to these recommendations, HCIDLA is seeking Council approval for the following projects prior to negotiating and executing funding commitments:

Lead Developer	Project Address	Council District	Population Served	Unit Mix	HHH Contribution	TDC	TDC per Unit
Brilliant Corners	15319 Wyandotte	6	Homeless individuals with complex mental and physical health conditions	22 studios, 1 1-br (mgr)	\$2,750,000	\$9,426,208	\$409,835
Daylight Community Development	16015 W. Sherman Way	6	Women experiencing homelessness and survivor's of domestic violence	20 studios, 25 1-br, 1 2-br (mgr)	\$7,733,333	\$16,868,105	\$366,698
Daylight Community Development	1043-1051 South Harvard	10	Homeless and chronically homeless seniors	38 studios, 8 1-br, 1 2-br (mgr)	\$9,693,333	\$18,329,642	\$389,992
Daylight Community Development	11604-11616 Vanowen	2	Homeless and chronically homeless individuals	6 studios, 42 1-br, 1 2-br (mgr)	\$4,900,000	\$18,369,415	\$374,886
Flyaway	724-728 Lagoon	15	Homeless individuals with complex mental and physical health conditions	34 2-br, 1 1-br (mgr)	\$3,400,000	\$12,700,000	\$362,857
Restore Neighborhoods LA	405 N Westlake	13	Formerly incarcerated individuals and chronically homeless individuals	19 studios, 1 1-br (mgr)	\$2,000,000	\$3,950,493	\$197,525
Restore Neighborhoods LA	1408 W 62nd St	8	Homeless individuals with complex mental and physical health conditions	19 studios, 1 1-br (mgr)	\$2,000,000	\$3,950,493	\$197,525
Restore Neighborhoods LA	5900 Figueroa	9	Homeless and chronically homeless individuals	39 studios, 1 1-br (mgr)	\$4,000,000	\$7,900,986	\$197,525
Total/ *Weighted Average				280	\$36,476,666	\$91,495,342	\$326,769

PROJECTS

I. 15319 Wyandotte Street

This project will be a supportive housing development consisting of no less than 22 studio units of supportive housing for homeless individuals and chronically homeless individuals

and one manager's unit. The property is currently occupied by an operating self-storage facility that will be renovated and adapted for permanent supportive housing. The proposed project features a community room, an on-site case management office, bicycle parking area, an on-site manager's unit with dedicated parking, and outdoor seating, including a smoking area.

The 10,000 square foot site is located in Council District 6 and is zoned C2. The developer expects to gain a density bonus and parking incentives through AB2162. The developer is working with relocation specialist Pati Boyle to pay for the relocation of the personal effects of clients currently using the self-storage facility. Surrounding uses include single-story retail and commercial buildings, a two-story apartment building, and single family homes.

Brilliant Corners is requesting \$2.75 million of their \$7 million HHH Housing Challenge commitment to support this development. This represents \$125,000 per supportive housing unit and 29.1% of the total development cost of \$9,426,208. The total development cost per unit is \$409,835. HHH funding is leveraged with MHP, 4% LIHTC equity, and a conventional bank loan. For operational expenses, the project is supported by a 15-year Master Rental Subsidy Agreement through LA County Department of Health Services and Brilliant Corners.

Construction is currently estimated to start in December 2020, and anticipated to be completed by October 2021.

II. 16015 W. Sherman Way

This project, located at 16015 West Sherman Way in the Lake Balboa neighborhood, will be a supportive housing development consisting of 46 affordable housing units (inclusive of manager's unit) for women experiencing homelessness and survivors of domestic violence. The 21,714 SF development will offer three parking spaces, including one EV and one handicapped stall, as well as 4 short-term bike parking stalls and 39 long-term bike parking stalls.

The project is to be constructed as a new four-story building: four stories of Type V modular construction with one-time use shipping containers. The project will consist of 20 studios, 25 1-BR units, and 1 2-BR manager's unit. Amenities include 1,878 SF in first-floor community and service space, as well as a 1,327 SF courtyard and 2,523 SF rooftop patio.

The 12,353 square foot site of two contiguous parcels currently consists of an owner-occupied commercial building that will be vacated before construction and subsequently demolished. Per applicable relocation regulations, there will be no relocation benefits offered to this voluntary owner-occupied sale. Surrounding uses include two and three-story apartment buildings, and single and two-story commercial uses. Local Initiatives Support Corporation (LISC), the acquisition lender on the development, is also funding a grocery store directly across the street. The project is located in Council District 6 and is currently zoned C2. The developer expects to gain a density bonus and parking incentives through the use of AB1763 (Density Bonus) AB2162 (Permit Expediting for PSH Developments).

Daylight Community Development is requesting \$6.3 million of their \$23.8mm HHH Reservation to support this project.

This represents \$140,000 per PSH unit and 37.3% of the total development cost of \$16,868,105. The total development cost per unit is \$366,698. HHH funding is leveraged with 4% tax credit equity, and a conventional bank loan.

For operating expenses, the project is supported by a 15-year Master Rental Subsidy Agreement through LA County Department of Health Services and Brilliant Corners. The development team is in the final stages of negotiating that agreement.

Daylight is also requesting \$1,433,333 in HHH Tranche B funds to be utilized during the construction period to pay for hard development costs. These funds will be repaid during the construction period by the construction loan.

Construction is currently estimated to start in December 2020, and anticipated to be completed by December 2021.

III. 1043-1051 South Harvard

This project, located at 1043 S Harvard Boulevard near Koreatown, will be a supportive housing development consisting of 47 affordable housing units for seniors experiencing homelessness. The 22,208 SF development will offer one parking space, as well as four short-term bike parking stalls and 40 long-term bike parking stalls.

The project is to be constructed as a new four-story building: three stories of Type V modular construction with one-time used shipping containers. The project will consist of 38 studios, 8 1-BR units, and 1 1-BR manager's unit. Amenities include 1,226 SF of first-floor community and service space, as well as a 782 SF courtyard, a 1,495 SF rear yard, and 459 SF rooftop patio.

The 11,630 square foot site of two contiguous parcels currently consists of two single family rental homes that will be vacated before construction and subsequently demolished. All applicable relocation regulations have been followed, and the units will be withdrawn from the rental market before construction. Overland, Pacific and Cutler (OPC) have been hired to manage the relocation process.

Surrounding uses include one to five-story apartment buildings. The project is located in Council District 10 is currently zoned R4-1 and the highest possible Transit Oriented Communities Guidelines (TOC) designation (TOC Tier 4). The developer expects to gain entitlements through the TOC program.

Daylight Community Development is requesting \$8.26 million of their \$23.8 million HHH Housing Challenge Reservation for Tranche A funds to support this project. This represents \$179,565 per supportive housing unit and 45.1% of the total development cost of \$18,329,432. The total development cost per unit is \$398,470. HHH funding is leveraged with 4% tax credit equity, and a conventional bank loan.

The developer has committed tenant-based vouchers through LA County Department of Health Services, and will pool these vouchers into Master Rental Subsidy Agreements administered by Brilliant Corners.

Daylight is also requesting \$1,433,333 in HHH Tranche B funds to be utilized during the construction period to pay for hard development costs. These funds will be repaid during the construction period by the construction loan.

Construction is currently estimated to start in February 2021, and anticipated to be completed by February 2022. The development team will be applying for 4% tax credits in the May 2020 round.

IV. 11604-11616 Vanowen

11604 Vanowen, located at 11604–11616 Vanowen Street in North Hollywood, will be a supportive housing development consisting of 48 affordable housing units for homeless individuals and chronically homeless individuals and one manager's unit. The project is to be constructed as a new three-story building: three stories of Type V modular construction with one-time use shipping containers. The project will consist of 49 residential units, comprised of 6 studio units, 42 one-bedroom units, and one two-bedroom manager's unit. Amenities include a large open courtyard, tree yard, laundry facility, multiple community rooms, supportive services space, shared community kitchen, and landscaped open space at the ground level.

The 12,380 square foot site of three contiguous parcels currently has an owner-occupied auto repair shop which will be delivered vacant and subsequently demolished. Surrounding uses include single-story commercial buildings, a two-story apartment building and single family homes. The project is located in Council District 2 and is currently zoned C2.

Daylight Community Development is utilizing a portion of their \$23.8mm HHH Innovation commitment to support the development. The development team will be applying for 9% tax credits in the March 2020 round in the Special Needs set-aside. This project has already received authorization per Council File 16-0677.

Daylight will be requesting a project-level commitment of \$4,900,000 of HHH Tranche A funds for the development. This represents \$102,083 per PSH unit and 26.6% of the total development cost of \$18,369,415. The total development cost per unit is \$374,886. HHH funding is leveraged with 9% Tax Credit Equity, and a conventional bank loan.

For operational expenses, the project is supported by a 15-year Master Rental Subsidy Agreement through LA County Department of Health Services and Brilliant Corners. The development team is in the final stages of negotiating that agreement.

Construction is currently estimated to start in November 2020 and anticipated to be completed by November 2021.

V. 724-728 Lagoon

728 Lagoon, located at 724-728 North Lagoon Avenue in the Wilmington neighborhood, will be a supportive housing development consisting of no less than 34 2-bedroom units of PSH for homeless individuals and chronically homeless individuals and one manager's unit. Flyaway will use a shared housing model for at least a portion of the units. The project will include community room offices for services, outdoor sitting and BBQ areas, and a dog run.

The 18,000 square foot site is located in Council District 15 and is zoned RD1.5. Currently the property has a single story commercial building with a parking lot. The owner occupant is selling the property to relocate. Surrounding uses include two-story apartment buildings, single family homes and single-story retail.

Flyaway is requesting \$3.4 million of their \$19.5mm HHH Challenge commitment to support this project. This represents \$100,000 per PSH unit and 26.8% of the total development cost of \$12,700,000. The total development cost per unit is \$362,857. HHH funding is leveraged with private debt and equity.

Construction is currently estimated to start in Fall 2020, and anticipated to be completed by 3rd quarter 2020.

VI. 405 N. Westlake

This project, located at 405 North Westlake Boulevard in Echo Park, will be a supportive housing development consisting of no less than 19 affordable housing units for homeless individuals and chronically homeless individuals and one manager's unit.

The project is to be constructed as a new two-story building. The project will consist of 19 studio apartments and a one-bedroom manager's unit. Amenities include wrap around social services provided in community and social service spaces, drought tolerant landscaping and unique naturally lit private living areas.

The 4900 square foot site currently has an unoccupied single family home that will be demolished. Surrounding uses include single-story commercial buildings, a two-story apartment building and single family homes. The project is located in Council District 13 and is currently zoned C2. The project is in a Tier 2 TOC and expects to benefit from a by-right density bonus and parking incentives.

RNLA is utilizing \$2 million of their \$10.0 million HHH Challenge commitment to support the project. This represents \$105,263 per PSH unit and 50.1% of the total development cost of \$3,950,493. The total development cost per unit is \$197,525. HHH funding is leveraged with a loan from Genesis LA and developer equity.

Construction is currently estimated to start in December 2020, and anticipated to be completed by December 2021.

VII. 1408 W. 62nd Street

This project, located in South LA, will be a supportive housing development consisting of no less than 19 affordable housing units for homeless individuals and chronically homeless individuals and one manager's unit. The project is to be constructed as a new two-story building. The project will consist of 19 studio apartments and a one-bedroom manager's unit. Amenities include wrap around social services provided in community and social service spaces, drought tolerant landscaping and unique naturally lit private living areas.

The 6,074 square foot site is currently located on the Southwest corner of Normandie and 62nd Street and has a single-story vacant commercial building and an occupied single family home that will be demolished. The current occupants of the single family home are renters and will be relocated. The RETHINK team has contracted with Overland Pacific and Cutler to implement a relocation plan for the tenants. The plan, which will be approved by HCIDLA, will include tenant interviews and present the tenant with three comparable housing options. The plan will pay tenant moving expenses plus any rent differential for 42 months. The project is located in Council District 8 and is currently zoned C2. The project is in a Tier 2 TOC and expects to benefit from by-right density bonus and parking incentives.

RNLA is utilizing \$2 million of their \$10.0 million HHH Challenge commitment to support the project. This represents \$105,263 per PSH unit and 50.1% of the total development cost of \$3,950,493. The total development cost per unit is \$197,525. HHH funding is leveraged with a loan from Genesis LA and developer equity.

Construction is currently estimated to start in February 2021, and anticipated to be completed by February 2022.

VIII. 5900 Figueroa

This project, located at 5900-5904 South Figueroa in South Los Angeles, will be a supportive housing development consisting of no less than 39 affordable housing units for homeless individuals and chronically homeless individuals and one manager's unit.

The project is to be constructed as a new two-story building. The project will consist of 39 studio apartments and a one-bedroom manager's unit. Amenities include wrap around social services provided in community and social service spaces, drought tolerant landscaping and unique naturally lit private living areas.

The 9,600 square foot site, purchased from the neighboring Greater Cornerstone Baptist Church, currently has an occupied single family home that will be demolished. The current tenant, who holds a Section 8 voucher, will be relocated. Overland Pacific and Cutler is currently working on a relocation plan with the tenant. Surrounding uses include two-story apartment buildings, single-story commercial buildings and single family homes. The project is located in Council District 9 and is currently zoned C2. The project expects to utilize AB1763 to benefit from a density bonus.

RNLA is utilizing \$4 million of their \$10.0 million HHH Challenge commitment to support

the project. This represents \$102,564 per PSH unit and 50.6% of the total development cost of \$7,900,986. The total development cost per unit is \$197,525. HHH funding is leveraged with a loan from Genesis LA and developer equity.

Construction is currently estimated to start in April 2021, and anticipated to be completed by April 2022.

RECOMMENDATIONS

IT IS THEREFORE requested that the City Council:

1. **AUTHORIZE** the General Manager of HCIDLA, or designee, subject to review and approval of the City Attorney as to form, to negotiate and execute acquisition/ predevelopment/ construction/ permanent loan agreements with the legal owner of each applicable project identified in Table 2, subject to the satisfaction of all conditions and criteria contained in the HHH Housing Challenge RFP, this transmittal, and the HCIDLA Award Letter (if applicable), subject to the following conditions:
 - I. The final Proposition HHH Permanent Supportive Housing Loan Program (HHH) financial commitment for these eight (8) projects will not exceed \$36,476,666;
 - II. The disbursement of HHH program funds will not take place until a project sponsor is able to obtain enforceable financing commitments for all proposed project funding, including, but not limited to, the full amount of funding and/or tax credits proposed in the Call for Projects application; and
 - III. HHH financial commitments are conditional upon passing HCIDLA's background check process, including a legal review.
2. **AUTHORIZE** the General Manager of HCIDLA, or designee, to execute subordination agreements of the City's financial commitment, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or governmentally funded construction and permanent loans, as required; and
3. **AUTHORIZE** the General Manager of HCIDLA, or designee, to allow the transfer of the City's financial commitment 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.

Sincerely,



ERIC GARCETTI
Mayor