

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 23, 2020

To: Proposition HHH Administrative Oversight Committee

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

Subject: **COMMUNICATION FROM THE PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE CHAIR RELATIVE TO A REPORT FROM THE HOUSING AND COMMUNITY INVESTMENT DEPARTMENT REQUESTING SITE APPROVAL AND CONDITIONAL FUNDING COMMITMENT FOR A PROPOSITION HHH HOUSING CHALLENGE PROJECT**

RECOMMENDATIONS

That the Proposition HHH (Prop HHH) Administrative Oversight Committee (AOC) recommend that the Council, subject to approval of the Mayor:

1. Approve the site selection for the Prop HHH Housing Project at 1355 Avalon in Council District 6;
2. Authorize the General Manager of the Housing and Community Investment Department (HCID), or designee to issue a conditional financial commitment for the Prop HHH Housing Challenge project in the amount of \$7,000,000; and
3. Authorize the General Manager of HCID, or designee to negotiate an acquisition/ predevelopment/ construction/ permanent loan agreement, subject to the satisfaction of all conditions and criteria contained in the Prop HHH Housing Challenge Request for Proposals, this transmittal, and the HCID Award Letter (if applicable), subject to the following condition:
 - i. Prop HHH financial project commitments are subject to review and approval by the Prop HHH COC and the Prop HHH AOC before recommendations are forwarded to the City Council and Mayor.

SUMMARY

At its meeting on October 16, 2020, the Prop HHH COC considered the attached report from HCID relative to the Request for Site Approval and Conditional Financial Commitment for a Proposition HHH Housing Challenge Project. A quorum of the Prop HHH COC voted to forward the report to the Prop HHH AOC for review. There was a technical issue with the telephonic public comment process, and as such, there will be another vote at the next Prop HHH COC meeting to ratify the Committee's October 16, 2020 actions. The City Attorney advised that the Prop HHH AOC may still consider this matter even though ratification of the Prop HHH COC's October 16 actions will follow thereafter.

Attachment: Report from HCID regarding the Request for Site Approval and Conditional Financial Commitment for a Proposition HHH Housing Challenge Project

RHL:YC:MB:HR:16210025



Administration Bureau

1200 West 7th Street, 9th Floor, Los Angeles, CA 90017
 tel 213.928.9071 | fax 213.808.8999
 hcidla.lacity.org



Eric Garcetti, Mayor
 Mercedes M. Sewill, General Manager

INTER-DEPARTMENTAL MEMORANDUM

TO: PROPOSITION HHH CITIZENS OVERSIGHT COMMITTEE

FROM: ANN SEWILL, GENERAL MANAGER
 LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT

DATE: OCTOBER 7, 2020

REGARDING: SITE APPROVAL AND AUTHORITY TO ISSUE PROPOSITION HHH
 PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM
 COMMITMENTS

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests that your office review and approve this request and forward it to the City Council for further consideration. Through this memorandum, HCIDLA requests site approval and authority to issue Proposition HHH Permanent Supportive Housing Loan Program (HHH) conditional financial commitments in a total amount not to exceed \$7,000,000 for one projects.

On May 9, 2019, the Mayor's Office and 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 part of the October 16, 2019, action (C.F No. 17-0090-S4), the City Council requested that HCIDLA within 180 days after development teams secured site control return with the individual projects for approval of a projects' final terms.

Two previous actions were passed to approve the first twelve sites under this program (C.F. No. 20-0388). Now, one of the six selected development teams have secured site control of an additional site. HCIDLA is seeking approval for this site prior to negotiating the conditional funding commitment.

Staff report for the new site is attached to this memorandum (Attachment A).

RECOMMENDATIONS

- I. The General Manager of HCIDLA respectfully requests that the Proposition HHH Citizens Oversight Committee (COC) recommend to the Proposition HHH Administrative Oversight Committee (AOC), for further consideration by the City Council and the Mayor, to address the following actions:
 - A. APPROVE the site selection for the Proposition HHH Housing Project at the address and within the Council district listed in Table 1;
 - B. AUTHORIZE the General Manager of HCIDLA, or designee, to issue a conditional financial commitment for the Proposition HHH Housing Challenge project totaling a maximum of \$7,000,000 with the project's address and maximum project financial commitment as listed in Table 1; and,
 - C. AUTHORIZE the General Manager of HCIDLA, or designee to negotiate acquisition/ predevelopment/ construction/ permanent loan agreement for the applicable project identified in Table 1, 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 condition:
 - i. HHH financial project commitments are subject to review and approval by the Proposition HHH Citizens Oversight Committee and the Administrative Oversight Committee before recommendations are forwarded City Council and Mayor.

BACKGROUND

As recommended by the Proposition HHH Citizens Oversight Committee (COC) and Administrative Oversight Committee (AOC), 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. The highest-ranking proposals would reduce the typical cost and time of development, while offering a model that could be scaled and replicated. Specifically, this program set out to fund proposals that clearly respond to the urgency of the City's homelessness crisis.

Six development teams were awarded a total of \$120 million for the construction of 975 new units of supportive housing (1,001 units inclusive of manager units). Among the six HHH Housing Challenge development teams, there will be an estimated 19 project sites. Per the terms of the MOUs effective January 10, 2020, developers must secure all remaining financing within 12 months of site approval (the site approval was originally set for four months after MOU execution) and projects must be complete with construction within 18 months of the loan agreement execution (subject to tolling as directed by the Mayor). On September 18, 2019, Council instructed HCIDLA to report back for approval within 180 days, for those projects that have secured site control; and for which due diligence had been performed. HCIDLA was to return to Council for approval to negotiate deal terms for the balance of the Housing Challenge projects.

On April 17, 2020, Mayor Garcetti issued a public notice, which tolled and suspended until further notice all deadlines related to financing and predevelopment activities necessary to develop or rehabilitate affordable and supportive housing (primarily driven by COVID 19).

Construction start for the transaction in this memo begin during October of 2021. The delays are COVID related but there are other factors contributing to the delay including:

- 1) CDLAC pushed back the March 2020 and May 2020 bond award dates (as a direct result of COVID);
- 2) HCD signaled that future NOFAs may be delayed;
- 3) Uncertainty around No Place Like Home (NPLH) funding and the availability of Vouchers;
- 4) In addition, investors are indicating credit pricing reductions and limited interest in new business relationships for 2021.

On May 12, 2020, the first seven sites under this program were approved and on September 2, 2020, an additional five sites under this program were approved ((C.F. No. 20-0388). Each of the developers of those projects are continuing to move their projects forward through the development process.

As referenced on Table 1, at this time one of the six Housing Challenge developers has obtained site control on an additional project site and are both requesting a project-specific conditional commitment and authority to begin negotiating the HHH loan agreements with HCIDLA. The estimated average total development cost per unit for this recommended project is \$537,092. If the recommendations of this report are accepted, this potential project represent 53 units of Supportive Housing (SH) under the Housing Challenge Program. Combined with the 616 units approved under C.F. 20-0388, this would bring the total Permanent Supportive Housing units approved under the program to 669.

Table 1

Lead Developer	Project Address	Council District	Unit Mix	Total PSH Units	HHH Contribution	HHH Contribution per PSH Unit	TDC	TDC per Unit
Brilliant Corners	1355 Avalon	6	37 studios 16 1-br 1 2-br (mgr)	53	\$7,000,000	\$132,075	\$29,002,959	\$537,092
Total/ *Weighted Average			69	68	\$7,000,000	\$132,075	\$29,002,959	\$537,092

FISCAL IMPACT

There is no impact to the General Fund.

ATTACHMENTS:

Attachment A: Proposition HHH Housing Challenge Staff Reports

**STAFF REPORT
As of: September 15, 2020**

**Avalon PSH
1355 N Avalon Blvd
Los Angeles, CA 90744**

**Adaptive Reuse Construction
Council District 15**

PROGRAM DESCRIPTION

Through the HHH Housing Challenge, Brilliant Corners was awarded a \$7 million HHH Reservation to develop two housing sites with a total of 56 units, with the long-term goal of jump starting an adaptive reuse multi-family initiative, which will be scaled up to address homelessness in the City of Los Angeles. As described in Brilliant Corners' HHH Housing Challenge proposal, the conversion of blighted or underutilized non-residential structures through adaptive reuse will reimagine buildings, revitalize neighborhoods and deliver much-needed supportive housing units.

Brilliant Corners proposed to use Los Angeles County Development Authority's (LACDA) No Place Like Home (NPLH) funds as a source of financing. However, LACDA, which administers NPLH, announced that the next round of NPLH funding would not be made available until much later than anticipated. Instead, Brilliant Corners will pursue alternative competitive sources including the State Multifamily Housing Plan (MHP) funds and Low-Income Housing Tax Credits (LIHTCs).

PROJECT DESCRIPTION

Avalon 1355 (project), located at 1355 N. Avalon Blvd. in Wilmington, will be a supportive housing development consisting of 53 supportive housing units for homeless individuals and chronically homeless individuals and one manager's unit. The project will consist of 54 residential units, comprised of 37 studio units, 16 one-bedroom units, and one two-bedroom manager's unit. Amenities include onsite case management offices, onsite property management office, community room, bike storage room, and onsite laundry

The 38,640 square foot site currently has a vacant grocery store which will be renovated for residential occupancy and programming for the building. Surrounding uses include single-story commercial buildings and residential uses. The project is located in Council District 15 and is currently zoned C2.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Brilliant Corners is a 501(c)(3) nonprofit corporation (100%) and will be the sole member of the managing general partner (a to-be-formed limited partnership). Brilliant Corners (BC) will partner with co-developer The Richman Group (TRG), a for-profit operating nationwide. TRG will control the partnership's administrative general partner and provide property management services together with the Brilliant Corners Supportive Housing Management team. BC's Case Management team will be the lead service provider.

POPULATION SERVED

The population served will be homeless individuals and chronically homeless individuals.

UNIT MIX

	PSH Total	Non-PSH	Manager	Total
Studio	37			37
1 Bedroom	16			16
2 Bedroom			1	1
Total	53		1	54

PROPOSED FUNDING SOURCES

	Construction	Permanent
Construction/Perm Loan	\$19,876,221	\$1,999,916
HHH	\$7,000,000	\$7,000,000
4% Tax Credit Equity	\$1,358,004	\$9,053,363
GP Equity/Excess Fee (contributed back to Project)	\$100	\$751,879
MHP		\$10,197,782
Deferred Costs	\$768,634	
Total	\$29,002,959	\$29,002,959

PROPOSED DEVELOPMENT USES

Acquisition	\$2,595,000
Construction	\$18,011,295
Developer Fee	\$3,251,799
Soft Costs	\$5,144,865
Total	\$29,002,959

FUNDING RECOMMENDATION

Brilliant Corners is requesting their entire \$7 million HHH Innovation commitment to support this development. This represents \$132,075 per PSH unit and 24.1% of the total development cost of \$29,002,959. The total development cost per unit is \$537,092. HHH funding is leveraged with 4% Tax

Credit Equity, MHP financing and a conventional bank loan.

For operational expenses, the project is supported by a 20-year commitment of 53 Project-Based Section 8 Vouchers from the Housing Authority of the City of Los Angeles, pending Board approval.

CONSTRUCTION TIMELINE

Construction is currently estimated to start in October 2021 and anticipated to be completed by January 2023.