

RESOLUTION AUTHORIZING THE PRESIDENT OF LOS ANGELES LOMOD SOUTH, TO ENTER INTO A PARTNERSHIP AGREEMENT WITH PV HIGHLAND, LLC A LIMITED LIABILITY COMPANY MANAGED BY PATH VENTURES TO CREATE 1753 ORCHID PARTNERS, LP, A LIMITED PARTNERSHIP PURPOSED WITH ACQUIRING REAL PROPERTY LOCATED AT 1753 ORCHID AVE. (“THE ORCHID”) FOR UP TO \$16,000,000, AND OWNING AND MANAGING THE ORCHID IN CONFORMANCE WITH THE REQUIREMENTS OF PROJECT HOMEKEY TO PROVIDE PERMANENT AFFORDABLE HOUSING TO HOMELESS AND THOSE AT RISK OF HOMELESSNESS IN LOS ANGELES AND TO ACCEPT BY GRANT FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ANY FUNDING FROM THE STATE OF CALIFORNIA FOR CAPITAL AND OPERATING COSTS AND TO PROVIDE THOSE FUNDS TO 1753 ORCHID PARTNERS, LP AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH



 Tina Booth
 President



 Lisette Belon
 Secretary

Purpose: Approve and adopt the Resolution authorizing the President, Secretary and/or Treasurer of Los Angeles LOMOD South, Inc. a California nonprofit public benefit corporation (“LOMOD South”) to enter into the 1753 Orchid Partners, a Limited Partnership (the “Limited Partnership”) as the Administrative General Partner (“AGP”), authorizing and approving the Orchid Hotel Homekey Project purchase and sale agreement, partnership agreement, grant documents, conventional financing and related documents and agreements and the undertaking of various actions in connection therewith as required of the AGP.

Adopting the resolution (Attachment 1) will authorize the President to accept control over the ownership of The Orchid through a limited partnership, providing property and asset management services and improving the Authority’s overall position financially while meeting its mission to provide deeply affordable housing to residents of Los Angeles.

Issues:

Background Los Angeles LOMOD South, Inc. (“LOMOD South”) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law under the direct control of the Authority. LOMOD South currently owns 52 properties in the Asset Management portfolio, which includes all of the properties not required to have single-purpose entity ownership as a bond financing requirement.

PATH Ventures is a California public benefit corporation, missioned with acquiring and developing property for affordable housing. PATH Ventures has created PV Highland LLC, which will join as the limited partner in 1753 Orchid Partners, LP and will be engaged in bringing in financing, overseeing rehabilitation and coordinating services to residents.

In July 2020, PATH Ventures entered into a Purchase and Sale Agreement for the Orchid Hotel and brought the property to the Housing Authority of the City of Los Angeles (“HACLA”) as an opportunity site for the State of California’s Project Homekey Notice of Funding Availability. The underlying zoning, pristine condition

of the site and its ability to be delivered vacant qualified the property for Tier 1 funding from Project Homekey. HACLA and PATH Ventures entered into a Memorandum of Understanding on August 12, 2020 and submitted a Project Homekey application for The Orchid Hotel as Co-Applicants on August 13, 2020. On September 8, 2020 HACLA received notice from the State of California that the Orchid Hotel was one of eleven initial projects in the City of Los Angeles to receive a reservation of Homekey funding. HACLA and PATH Ventures have been working closely since August to complete due diligence on the property and prepare for initial occupancy. This collaboration has involved successfully applying for up to 40 Project-based Vouchers for the property to provide needed rental subsidy to serve the Project Homekey target population, obtaining an appraisal, physical needs assessment, Phase I, survey and title reports as well as soliciting non-competitive financing to cover the balance of funding necessary to acquire, rehabilitate and begin operations on the site.

The Property

The Orchid Hotel is a three-story building over subterranean parking located in the heart of Hollywood at 1753 Orchid Avenue, directly behind Hollywood and Highland. Although just short distance from the Hollywood Bowl and other Hollywood destinations, the property is tucked away on a quiet cul de sac and has a lot of privacy, providing a serene and suburban environment to its residents. The property has a generous lobby and lounge area, an express dining area, and a laundry room as well as outdoor common area, which includes a pool deck and a garden patio. There are forty (40) rooms on site, including 21 studios and 19 one-bedrooms with full kitchens, bathrooms and dining areas. The rooms are sized between 550-600 square feet.

Developer/ Ownership

The managing member of the Limited Partnership will be LOMOD South and the limited partner will be PV Highland LLC. The draft Limited Partnership Agreement is provided for reference as Attachment 1, and includes the option for both partners to assign their rights to other entities as long as those entities are wholly owned or managed by either PATH Ventures or HACLA, respectively. It also provides for the partners to exit the partnership with each other's consent through sale or transfer of rights and to have the opportunity to buy out each other's position in the partnership.

LOMOD South as the Administrative General Partner will hold a 30% ownership and development interest and PV Highland LLC will hold a 70% development and majority ownership interest. It is anticipated with the hold of majority interest that PATH Ventures will provide 100% of the guarantees required of any financing for the project, while HACLA will secure and ensure compliance with the Project Homekey funding contribution.

Funding

The Project Homekey reservation will provide up to \$8 million in funding from Project Homekey for acquisition costs and \$960,000 in Operating Subsidy for the first eighteen months. PATH Ventures has obtained funds necessary to finance the balance of the purchase price (currently set at \$16 million) and limited funding necessary for closing costs and minor rehabilitation, estimated at approximately \$103,951 as well as the initial capital reserve and replacement reserve.

Subject to the Board of Commissioners' approval on October 29, 2020, HACLA will be providing the 1753 Orchid Partners either directly or through LOMOD South a grant of the \$8,960,000 in Project Homekey funds and will record a covenant on

the property in favor of HACLA requiring the Limited Partnership to comply with all of Project Homekey's regulatory obligations and population targeting for tenancy. The grant will not require repayment but is intended to be forgiven over time through compliance with the covenant for its fifty-five year term. The conventional lender is expected to hold a first mortgage position on the property until their loan is repaid and a note and deed of trust is expected to be recorded in their favor.

All 39 PBV Units will be subject to HUD affordability requirements for 20 years under a Housing Assistance Payment ("HAP") contract, pursuant to the authority granted under the October 2017 HUD Notice. As allowed by PBV regulations, the HACLA will provide a 20-year extension subject to the future availability of appropriated funds, HUD regulations, the requirements of HACLA's Section 8 Administrative Plan and the Limited Partnership's continued compliance with the HAP Contract.

Role as AGP

As the AGP, LOMOD South will perform those responsibilities required by the State Board of Equalization ("BOE") to maintain the Project's property tax exemption and as otherwise accepted. Remaining Partnership responsibilities will be performed by the AGP or will be delegated to the Limited Partner by the AGP under the supervision of the AGP as required by the BOE.

LOMOD South is scheduled to receive an annual AGP Partnership Management Fee in the amount of \$20,000 (subject to an annual 3% increase) and 30% of net cash flow generated from the Project.

LOMOD South, it is not individually expected to provide any development or operational guarantees to any lender or investor. Guarantees are borne solely by the limited partner and its affiliates. Further, if LOMOD South is in default under a project document, only its partnership interest may be accessed to satisfy any liability. The only exceptions being if LOMOD South has committed fraud or misappropriated partnership funds.

Close of escrow and financing is scheduled to occur on or about November 10, 2020 and rehabilitation work will commence soon thereafter with the hope of beginning occupancy of the units before the end of the calendar year.

Attachments:

1. Resolution
2. Form of Partnership Agreement

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT OF LOS ANGELES LOMOD SOUTH, TO ENTER INTO A PARTNERSHIP AGREEMENT WITH PV HIGHLAND, LLC A LIMITED LIABILITY COMPANY MANAGED BY PATH VENTURES TO CREATE 1753 ORCHID PARTNERS, LP, A LIMITED PARTNERSHIP PURPOSED WITH ACQUIRING REAL PROPERTY LOCATED AT 1753 ORCHID AVE. (“THE ORCHID”) FOR UP TO \$16,000,000, AND OWNING AND MANAGING THE ORCHID IN CONFORMANCE WITH THE REQUIREMENTS OF PROJECT HOMEKEY TO PROVIDE PERMANENT AFFORDABLE HOUSING TO HOMELESS AND THOSE AT RISK OF HOMELESSNESS IN LOS ANGELES AND TO ACCEPT BY GRANT FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ANY FUNDING FROM THE STATE OF CALIFORNIA FOR CAPITAL AND OPERATING COSTS AND TO PROVIDE THOSE FUNDS TO 1753 ORCHID PARTNERS, LP AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, Los Angeles LOMOD South, Inc. (“LOMOD South”) is a nonprofit public benefit corporation duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Nonprofit Public Benefit Corporation Law, consisting of Part 2 of Division 2 of Title 1 of the California Corporations Code (the “Act”); and

WHEREAS, the Act authorizes LOMOD South to make and execute contracts and other instruments necessary or convenient for the exercise of its powers; and

WHEREAS, the Orchid Hotel is comprised of 40 units of permanent supportive housing in a residential development with amenities, of which up to forty (40) units are Project Based Voucher (PBV) units; and

WHEREAS, on October 29, 2020, the HACLA Board of Commissioners (“BOC”) authorized HACLA to enter the 1753 Orchid Partners, Limited Partnership (the “Limited Partnership”) with its instrumentality, LOMOD South as Administrative General Partner to act as both developer and owner of the Orchid Hotel; and

WHEREAS, the limited partner of 1753 Orchid Partners, LP, a California limited partnership, is PV Highland LLC, a California limited liability company; and

WHEREAS, the 1753 Orchid Partners, LP will receive funding from several sources including State of California Housing and Community Development Department’s (“HCD”) Project Homekey program and HACLA Section 8 Project Based Vouchers, to finance the development and operation of the Project; and

WHEREAS, on October 29, 2020, HACLA approved providing the Project with up to \$8,960,000 funding in cash grant from any Project Homekey contribution received by the State of California HCD for the acquisition and operation of the project;

WHEREAS, HACLA has negotiated LOMOD South’s participation as the Administrative General Partner (“AGP”) of the Limited Partnership; and

WHEREAS, LOMOD South will serve as the AGP of 1753 Orchid Partners, LP and perform those responsibilities required by the State Board of Equalization (“BOE”) to obtain and maintain the Project’s property tax exemption and as otherwise accepted and oversee day-to-day management of the project; and

WHEREAS, LOMOD South is scheduled to receive an annual AGP Partnership Management Fee in the amount of \$20,000 (subject to an annual 3% increase) and 30% of net cash flow generated from the Project and developer fee; and

WHEREAS, LOMOD South shall also be granted a right of first refusal to purchase the position of the limited partner if the limited partner chooses to sell or exit the partnership; and

WHEREAS, the Board of Directors of LOMOD South must approve the execution of all applicable financing and ownership documents, including a Limited Partnership Agreement and any documents, certificates and agreements related to the Project in order to consummate the successful closing, financing and operation of the Project.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of LOMOD South LOMOD, Inc. does hereby authorize and approve as follows:

Section 1. The President, the Secretary or the Treasurer or LOMOD South (collectively, the Authorized Representatives”) and each of their respective designees, are each hereby authorized and directed, to do any and all things necessary and to execute, deliver and perform any and all closing, note, financing or ownership documents, including any amendments to the Limited Partnership Agreement, with such changes as approved by counsel, and all other documents or actions which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this Resolution and the consummation of the transactions contemplated hereby. All actions heretofore taken by the officers, employees, attorneys and agents of LOMOD South with respect to the Project transactions are hereby approved and ratified, and the officers of LOMOD South and the authorized deputies and employees of LOMOD South, and each of them, are hereby authorized and directed to do any and all things necessary and to enter into and execute, acknowledge and deliver any and all agreements, assignments, certificates and other documents that they or counsel may deem necessary or advisable to consummate the development and financing of the Project and to otherwise to effectuate the purposes of this Resolution without further approval of LOMOD South.

Section 2. That if any application for Homekey Program funding is approved, the President, or her designee, is hereby authorized and directed to enter into, execute, and deliver one or more HCD Standard Agreements as necessary or required by the State of California on behalf of 1753 Orchid Partners, LP, and any and all other documents or certificates required or deemed necessary or appropriate to secure the Homekey Program funds from HCD and participate in the Homekey Program, and all amendments thereto (collectively, the “Homekey Documents”). All activities, expenditures, information, and timelines represented in the Application will be enforceable through the HCD Standard Agreement and funds are to be used for the allowable expenditures and activities identified in the applicable HCD Standard Agreement.

Section 3. That the President, or her designee, is authorized and directed to accept any award of Homekey funding for capital costs and operating subsidy for The Orchid Hotel project and ensure that any funds awarded for capital acquisition expenditures are spent by December 30, 2020, and that any funds awarded for capitalized operating subsidies are spent by June 30, 2022 or within whatever limits are required by HCD. In addition, the President or her designee may provide the 1753 Orchid Partners either directly or through LOMOD South a grant of the \$8,960,000 in Project Homekey funds and will record a covenant on the property in favor of HACLA requiring the Limited Partnership to comply with all of Project Homekey’s regulatory obligations with such grant funds to be forgiven over the 55-year period of the covenant.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately on this day of October 29, 2020.

APPROVED AS TO FORM:
JAMES JOHNSON

LOS ANGELES LOMOD SOUTH, INC.

BY: _____
GENERAL COUNSEL

BY: _____
CHAIRPERSON BEN BESLEY

DATE ADOPTED: _____