RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PROVIDE
FINANCIAL COMMITMENTS TO THE JORDAN DOWNS PHASE S4, LP, A CALIFORNIA LIMITED
PARTNERSHIP FOR JORDAN DOWNS PHASE S4, IN ORDER TO PROCEED WITH A
COMPETITIVE APPLICATION TO THE STATE OF CALIFORNIA MULTIFAMILY HOUSING
PROGRAM (MHP) FOR $16,350,000 IN GRANT FUNDING

Douglas Guthrie  Jenny Scanlin
President & Chief Executive Officer  Chief Strategic Development Officer

Purpose:
To provide financial commitments to Jordan Downs Phase S4, LP (the “Limited Partnership” or “Developer”) for Jordan Downs Phase S4, to benefit The Michaels Development Company I, L.P., a New Jersey limited partnership (“Michaels”) in their application to secure funds under the State of California’s Multifamily Housing Program (“MHP”) for grant funding in an amount up to $16,350,000.

Phase S4 will be comprised of 90 apartment units and developed on a 1.99-acre parcel. The development site is located on 101st and Grape Street, across from the Phase S2 and Phase S3 Projects.

Regarding:
On June 28, 2012, by Resolution 8969, HACLA’s Board of Commissioners unanimously authorized the President and CEO to execute a Master Development Agreement (“MDA”) with Jordan Downs Community Partners, LLC, (“Master Developer”), a joint venture of the BRIDGE Housing Corporation (“BRIDGE”) and The Michaels Development Company I, L.P., a New Jersey limited partnership (“Michaels”), for the redevelopment of Jordan Downs. The MDA between HACLA and the Master Developer was executed on August 1, 2012 and subsequently amended with Board approval on December 22, 2016 by Resolution No. 9327, on April 28, 2016, by Resolution No.9282, and on May 28, 2020 by Resolution 9594. On June 25th, 2020 by Resolution 9605, HACLA Board of Commissioners accepted the FY 2019 Choice Neighborhoods Implementation grant awarded by the U.S Department of Housing and Urban development in the amount of $35 Million to be used towards the redevelopment of Jordan Downs Public Housing.

Issues:
Background  The Housing Authority of the City of Los Angeles (“HACLA”) desires to continue to transform the Jordan Downs public housing community into an environmentally friendly, vibrant, urban village, conducive to healthy living and economically progressive conditions. Since 2012, HACLA and the Master Developer have been working closely to implement the vision of a redeveloped Jordan Downs. This collaboration has involved conducting a site plan and architectural studies and pursuing competitive and non-competitive financing for each phase. Phase 1A, was completed by BRIDGE in 2019, delivering 115 apartment units to the community and is 100% occupied. The Michaels Organization is scheduled to complete Phase 1B, a 135-unit residential development in October 2020. Phase S3, a 93-unit residential development and Area H, an 80-unit
residential development are under construction with tentative completion in 2023 and 2021 respectively. Primestor’s Phase 1C commercial development, Freedom Plaza, a 118,000 square foot commercial retail shopping center was completed in November 2019. Several of the stores are now open, including anchor tenants, and other retail commercial tenants are currently undergoing tenant improvements.

**Ground Lease:**

Per the MDA, HACLA intends to enter into a Ground Lease with Jordan Downs Phase S4, LP for the development of the Project (the “Ground Lease”). The terms of this Ground Lease are not finalized and will be brought to the Board of Commissioners at the time a final financing plan is established. However, based on preliminary review of the project pro forma and based on competitive requirements of funding sources like MHP, it is recommended that HACLA commit to deferring the fair market value of the capitalized rent under the Ground Lease, currently estimated to be $3,150,000, pursuant to a promissory note (the “Acquisition Note”). The Acquisition Note carries a minimum 55-year term, with simple interest at 4% and would be payable from residual receipts. The payment terms of the Ground Lease and Acquisition Note are subject to HACLA underwriting and California Tax Credit Allocation committee requirements and the final value of the Ground Lease will be determined by an appraisal at the time the Board of Commissioners considers the final financing plan and the substantially final financing agreements, including the Ground Lease.

**Gap Funding:**

On August 1, 2012, HACLA entered into a Master Developer Agreement with Jordan Downs Community Partners, LLC of which The Michaels Organization is a joint venture partner. Section 6.6 of the Master Developer Agreement states that HACLA will consider providing loan funds to assist with the development of replacement housing at Jordan Downs. In 2019, HACLA competed for HUD’s Choice Neighborhood Implementation Grant and received an award of $35 million in April 2020. As part of this award, over $20 million was dedicated to various phases of the affordable housing development at Jordan Downs. The grant budget schedule includes $2,800,000 for Jordan Downs Phase S4. HACLA will be working with HUD to allocate these funds as part of its overall underwriting and closing actions when entering into contracts for the 17 RAD units discussed below. The Choice Neighborhood grant will provide gap financing as a source for both construction and permanent financing.

**Rental Assistance Demonstration:**

In January 2016, the Housing Authority submitted a multi-phase application to HUD who subsequently provided HACLA with a multi-phase reservation of 120 RAD units for the future phases of Jordan Downs. RAD is intended to preserve the nation’s stock of deeply affordable rental housing, promote efficiency within and among HUD programs, and build strong, stable communities. HUD considers RAD an important part of its rental housing preservation strategy and is investing significant resources to promote and expand its use. The RAD program allows the conversion of the public housing subsidy into a project-based Section 8 subsidy platform allowing HACLA to continue to serve very low-income families. The RAD program is designed to have minimal disruptions to tenants, no permanent relocation, and no rent increase to tenants. To date, HACLA has allocated twenty-five (25) RAD units to Phase 3, seventeen (17) RAD units to Phase S2 and thirty
(30) for Area H. After these allocations, there are 25 remaining RAD units available for allocation to Phase S4.

A formal RAD application to request an allocation will be submitted to HUD in the fall of 2020 through a new application process that is mandated by the CNI award at Jordan Downs. Once approved, HACLA intends to provide RAD PBV assistance for up to seventeen (17) units as outlined in Table #1 to the project under a RAD PBV Housing Assistance Payments contract (“RAD HAP”) for an initial term of twenty (20) years, renewable in accordance with the RAD program. HACLA will reserves the right to rescind the RAD and/or PBV commitments in the event: (a) the Project fails to meet the requirements of the PBV or RAD programs prior to execution of and AHAP or RAD HAP, as applicable; and/or (b) provisions of RAD PBV funding by HUD are rescinded or cut. HACLA further reserves the right to rescind the commitments herein if the developer fails to secure necessary capital financing, such as low income housing credits, or fails to complete the project in a timely manner.

Table #1: # of RAD units by bedroom size

<table>
<thead>
<tr>
<th>Bedroom Size</th>
<th>RAD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>3</td>
</tr>
<tr>
<td>2 bedroom</td>
<td>6</td>
</tr>
<tr>
<td>3 bedroom</td>
<td>5</td>
</tr>
<tr>
<td>4 bedroom</td>
<td>1</td>
</tr>
<tr>
<td>5 bedroom</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
</tr>
</tbody>
</table>

Vision Plan: **PLACE Strategy #1: Stabilize the physical and financial viability of the conventional public housing portfolio.**

The development of Phase S4 will allow for the construction of 90 new housing units of which 56 are replacement units for the existing residents. This development will further HACLA’s goals of improving its affordable housing stock as well as improved ADA-compliant, modern, sustainably designed, and amenitized units. This action will help HACLA extend the life of critical, deeply affordable housing in the City of Los Angeles to serve existing public housing residents and future income-qualified households from HACLA’s active public housing and Section 8 wait lists as well as the community of Watts.

**Funding:**

The Chief Administrative Officer confirms the following:

**Source of Funds:**

Subject to the Board of Commissioners’ approval, the Authority will be providing the Project with up to $2,800,000 in a bridge loan and a carryback note amounting to $3,150,000 for the Developer’s ground lease payment, consisting of the following funding streams for the vertical development of the Project, and certain off-site improvements:

- CNI Grant Award HACLA Bridge Loan- Federal Funding: $2,800,000
- Acquisition Loan / Carryback Note: $3,150,000
- **Total Request**: $5,950,000

The Chief Administrative Officer confirms that $2,800,000 in funds are available from the Choice Neighborhoods Implementation Grant.
**Budget and Program Impact:** Use of these funds is an effective approach to maintain deeply affordable housing in public housing conversion projects and provides needed operating subsidy to address the extraordinary costs associated with maintaining significant new infrastructure and open space improvements as well as providing deep services to the residents. The use of HACLA resources to support the preservation and expansion of affordable housing is aligned with the Authority’s budget and program goals.

**Environmental Review:**

**CEQA:** The City of Los Angeles is the lead agency for the JD Redevelopment for purposes of the California Environmental Quality Act (“CEQA”). The City of Los Angeles, acting through its Planning Department, approved a larger project under the Jordan Downs Urban Village Specific Plan (1,800 residential units; up to 250,000 square feet of commercial/retail/office plus up to 20,000 square feet of community-service retail and services in mixed use buildings; a network of parks totaling 8.9 acres; and new community facilities), and its associated Final Environmental Impact Report (“FEIR”) and required findings on April 17, 2013 (ENV-2010-32-EIR). Two addendums to the FEIR were prepared on January 11, 2016 and April 4, 2016 respectively to address additional impacts not considered in the EIR as the result of a proposed Specific Plan Amendment. On April 14, 2016, the City Planning Commission found based on the whole of the administrative record that no subsequent or supplemental EIR or negative declaration was required. The Phase S4 redevelopment as contemplated in the current conceptual plans provided to HACLA is consistent with the Specific Plan and its Amendment (CPC-2015-3990-GPA-ZC-SP), however, the final plans will be reviewed by the Board of Commissioners at such time as it considers the Ground Lease and Disposition and Development Agreement and a final design and construction drawings are complete to ensure consistency. Phase S4 will be subject to the imposition of various measures contained in the Specific Plan’s conditions of approval, including Mitigation Monitoring.

**NEPA:** Pursuant to 24 CFR Part 58, the City of Los Angeles, through its Housing and Community Investment Department (“HCID/LA”) serves as the environmentally responsible entity in preparation of the Environmental Assessment and Finding of No Significant Impact (“EA/FONSI”) for the Jordan Downs Public Housing Community Project. The EA/FONSI was circulated for public review on June 13, 2014 through July 2, 2014. On December 22, 2015, a technical memorandum was prepared to review any changes to the project description. Based on this memorandum HCID/LA found that changes to the project description did not result in changes to the conclusion of the EA/FONSI. On February 11, 2016, the U.S. Department of Housing and Urban Development’s Office of the Field Office Director issued approval of the Housing Authority’s Request for Release of Funds and Environmental Certification.

**Section 3:** The Developer will ensure that the residents of Jordan Downs public housing, other low-income Watts neighborhood residents, participants of Youth-Build, and qualifying residents in the City of Los Angeles have the opportunity to share in the economic benefits generated by the proposed development. Local Hire and Section 3 requirements for the Developer and their General Contractor will require the use of best efforts to set aside at least thirty percent (30%) of all new construction and post-construction jobs generated by the redevelopment, first for residents of Jordan Downs, second for residents of Watts, third to HUD’s Youth-Build Program in the City, and finally to residents of the
City to the maximum extent feasible. Furthermore, the Developer and their General Contractor shall strive and use best efforts to set aside at least ten percent (10%) of their overall 30% Section 3 commitment for disadvantaged workers. Additionally, the Owner is committed to providing 10% of the total dollar amount of building trades work for all construction contracts and 3% of the total dollar amount of all non-construction contracts to Section 3 Businesses

Attachments:

1. Resolution
RESOLUTION NO.______________

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PROVIDE FINANCIAL COMMITMENTS TO THE JORDAN DOWNS PHASE S4, LP, A CALIFORNIA LIMITED PARTNERSHIP FOR JORDAN DOWNS PHASE S4, IN ORDER TO PROCEED WITH A COMPETITIVE APPLICATION TO THE STATE OF CALIFORNIA MULTIFAMILY HOUSING PROGRAM (MHP) FOR $16,350,000 IN GRANT FUNDING

WHEREAS, the Housing Authority of the City of Los Angeles (the “Housing Authority”) is authorized pursuant to the Housing Authorities Law (Sections 34200 et seq. of the California Health and Safety Code) (the “Act”) to conduct business for any of its corporate purposes; and

WHEREAS, the Housing Authority intends to transform the Jordan Downs public housing community into a mixed-income, mixed-use, environmentally friendly, vibrant urban village, conducive to healthy living and economically progressive conditions; and

WHEREAS, on June 28, 2012, the Housing Authority’s Board of Commissioners unanimously authorized the President and CEO to execute a Master Development Agreement (“MDA”) with Jordan Downs Community Partners, LLC, (“Master Developer”) for the redevelopment of Jordan Downs following which the MDA between the Authority and the Master Developer was executed on August 1, 2012, as amended; and

WHEREAS, the Housing Authority and the Master Developer have been working closely since 2012 to implement the vision of a redeveloped Jordan Downs including the vertical residential development of the Phase S4 residential project (the “Project”) by Jordan Downs Phase S4, LP (“Phase S4 Owner”) and meeting with the residents on progress of the redevelopment to ensure consistency and transparency; and

WHEREAS, the Housing Authority desires to commit to providing the Project with up to $2,800,000 in gap funding from the Choice Neighborhoods Implementation Grant contingent on final approval by HUD at the time of construction closing; and

WHEREAS, the Housing Authority desires to commit to providing the Project with a carryback note on the Capitalized Ground Lease, currently estimated to be $3,150,000, pursuant to a promissory note (the “Acquisition Note”); and

WHEREAS, Jordan Downs Phase S4 will be comprised of 90 units in an affordable residential development with amenities, of which seventeen (17) units are reserved as Rental Assistance Demonstration (“RAD”) units; and

WHEREAS, in order to apply for MHP funding for the Phase S4 Project, it is necessary for the Housing Authority to provide financial commitments in order for the application to be competitive for funding.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby authorizes the President and CEO, or designee, to provide financial commitments to Jordan Downs Phase S4, LP for Jordan Downs Phase S4 in order to proceed with a competitive application to the State of California Multifamily housing Program (“MHP”) for grant funding up to $16,350,000.
BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: __________________________
   Ben Besley, Chairperson

APPROVED AS TO FORM:

BY: __________________________
   James Johnson, General Counsel

DATE ADOPTED: ___________________