

Report of the President

June 23, 2022

**RESOLUTION OF LA CIENEGA LOMOD, INC., AS THE SOLE MEMBER OF LOMOD RHC II, LLC, A SINGLE PURPOSE ENTITY AND MANAGING GENERAL PARTNER OF ROSE HILL COURTS II HOUSING PARTNERS, L.P. (THE "PARTNERSHIP"), TO RECEIVE UP TO \$2,000,000 OF ADDITIONAL DEVELOPER FEE FOR ROSE HILL COURTS PHASE II; COMMIT TO RECONTRIBUTING SUCH ADDITIONAL DEVELOPER FEE TO THE PARTNERSHIP AS A \$2,000,000 CAPITAL CONTRIBUTION FOR THE CONSTRUCTION OF ROSE HILL COURTS PHASE II; AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH**



Tina Smith-Booth  
President



Lisette Belon  
Secretary

**Purpose:** Approve and adopt the Resolution authorizing the President of La Cienega LOMOD, Inc., a California nonprofit public benefit corporation ("La Cienega"), the sole member of LOMOD RHC II, LLC ("LOMOD RHC II"), a single purpose entity and managing general partner of Rose Hill Courts II Housing Partners, L.P. (the "Partnership"), to receive up to \$2,000,000 of developer fee for Rose Hill Courts Phase II (the "Project" or "Phase II") and commit to recontributing such additional developer fee as a \$2,000,000 capital contribution to the Partnership for the development and construction of the Project.

**Regarding:** On August 26, 2021, by Resolution LA 2021-07, the La Cienega Board of Directors ("BOD") authorized La Cienega, in its capacity as the sole member of LOMOD RHC II, a single purpose entity wholly controlled by La Cienega, to enter into the Partnership as the managing general partner; authorized and approved the execution by the President of La Cienega, or her designee, of the First Amended and Restated Limited Partnership Agreement and related documents and agreements and the undertaking of various actions in connection therewith.

**Issues:** The proposed Project is expected to be constructed on approximately 3.45-acres of land located at the western and southern portion of the 5.24-acre Rose Hill Courts public housing site owned by the Housing Authority of the City of Los Angeles ("HACLA"), representing the second phase of the two-phase Rose Hill Courts redevelopment ("Rose Hill Courts Redevelopment"). As the second phase, the Project will require the demolition of 8 existing structures and construction of a total of 96 residential housing units (95 affordable housing units plus one market-rate manager's unit). At build-out, the redevelopment will include 37 one-bedroom units, 33 two-bedroom units, 22 three-bedroom units, and 4 four-bedroom units, an approximately 6,000 square-foot Management Office/Community Building, and a "Central Park" green space creating a park-like

setting for residents. Ample open space and recreational amenities will be incorporated to promote continued community outdoor use such as outdoor communal space with shaded seating and grills, children’s play areas, paved surfaces, and several courtyards. The redevelopment would provide a total of 119 parking spaces onsite, with at-grade and tuck-under parking; upgraded lighting, fencing, signage, and security features; and storm drain and utility improvements. The new sustainably designed buildings including solar panels would be energy efficient and the landscaping would include water-efficient irrigation.

HACLA and the Partnership have been working closely to implement the vision of a redeveloped Rose Hill Courts under a Disposition and Development Agreement executed in March 2020, as amended. The 89-unit Rose Hill Courts Phase I (“Phase I”) redevelopment achieved financing closing in June 2021 and its construction is underway. Construction of the Project is planned to follow construction completion of Phase I and after the residents living in the footprint of Phase II have been relocated and the buildings demolished. The Partnership is making progress on predevelopment activities and has completed the 100% design development drawings. HACLA staff is working with the Partnership to finalizing the financing plan and the Project expects to utilize the tax-exempt bond financing and 4% Low income Housing Tax Credits (“LIHTC”). HACLA has awarded Section 8 Project Based Vouchers (“PBV”) for 95 affordable units in the Project. The Partnership expects to achieve financial construction closing by early 2024, subject to receiving all necessary funding. Construction will commence soon thereafter and is projected to be completed within 24 months.

The Partnership is submitting a funding application for the Project in July 2022 in response to the California Department of Housing and Community Development (“HCD”) FY2022 Super Notice of Funding Availability for the Multifamily Housing Program (“MHP”) for up to \$15,000,000 in MHP grant funding.

*Developer/*

*Ownership:*

The administrative general partner of the Partnership is Related/Rose Hill Courts II Development Co., LLC, a California limited liability company (which will have .0050% interest in the Partnership at closing) whose members are The Related Companies of California, LLC, a California limited liability company, and Related Futures, LLC, a California limited liability company. LOMOD RHC II, as the managing general partner, will have .0050% interest in the Partnership at closing. The current limited partner, The Nicholas Company, Inc., a Delaware corporation, has a 99.99% interest in the Partnership. Upon closing, a tax credit investor will be admitted to the Partnership to facilitate a contribution of LIHTC equity.

### *GP Capital*

*Contribution:* The COVID-19 pandemic and the resulting aftermath has caused economic uncertainties, supply chain disruptions, and spiraling inflation, and Federal Reserve counter-measures have led to a significant increase in hard construction costs and financing costs and a subsequent increase in funding gap for the Project. Based on further discussion with the Partnership it was determined that an increase to HACLA's gap loan is necessary to demonstrate financial viability, address changes in underwriting impacted by the above-mentioned factors, and ensure competitiveness for upcoming funding applications. A detailed review and analysis of the Partnership's Project pro forma has led staff to believe that the HACLA gap loan will need to be increased from the current commitment of \$2,500,000 to an amount up to \$4,500,000, an increase of \$2,000,000 in gap funding authority and is being considered for approval by the HACLA Board of Commissioners at its June 2022 meeting.

The Partnership has agreed to increase the developer fee paid for the Project by \$2,000,000 beyond the \$3,500,000 cap imposed by the California Department of Housing and Community Development to allow such \$2,000,000 to be recontributed as a development funding source (the "Additional Developer Fee"). Pursuant to HCD regulations, the developer fee cap is increased by the dollar value of any capital contribution of funds for project development costs, subject to approval by HCD, which approval the Partnership shall seek as necessary. The Additional Developer Fee will be paid to La Cienega which will then make a \$2,000,000 capital contribution to the Partnership via LOMOD RHC II (the "MGP Capital Contribution") to fund development costs for the Project. The additional LIHTC equity realized by the Additional Developer Fee and higher eligible basis will reduce the Project's funding gap by approximately \$750,000.

Similar to the structure of Phase I, La Cienega might be required to provide the MGP Capital Contribution through LOMOD RHC II to the Partnership prior to receiving payment of the Additional Developer Fee. Per the Partnership, such structure may be necessary to avoid a "round-trip" characterization of the MGP Capital Contribution and Additional Developer Fee, and a potential reduction in eligible basis. However, prior to financial construction closing for the Project, staff will work with legal counsel to determine whether any differentiation in time between the payment of the Additional Developer Fee and contribution of the MGP Capital Contribution is necessary. A final determination on the timing of the MGP Capital Contribution will be made prior to the BOD's consideration of the Partnership's syndicated partnership agreement and other evidentiary documents including bond documents, HACLA documents, and lender and investor documents related to the Project.

**Funding:** No Funding is required for this action at this time.

**CEQA:** No further environmental review is required for the recommended actions because based on the project record there has been no change to the Rose Hill Courts Redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164.

**NEPA:** Pursuant to 24 CFR Part 58, the City of Los Angeles, through the Los Angeles Housing Department (“LAHD”), serves as the environmentally responsible entity in preparation of the Final Environmental Impact Statement for the Rose Hill Courts Redevelopment. LAHD issued a Record of Decision on January 24, 2020 and submitted a Request for Release of Funds to HUD on February 8, 2020. On March 9, 2020, the U.S. Department of Housing and Urban Development's Los Angeles Office of Public Housing issued approval of the City of Los Angeles’ Environmental Certification.

**Section 3:** The Partnership will comply with and impose Section 3 hiring requirements and numerical goals consistent with its former Phase I Section 3 Construction Local Hiring and Contracting Plan negotiated pursuant to its Disposition and Development Agreement and in accordance with HACLA’s Section 3 Guide and Compliance Plan (v2). These obligations include setting aside at least thirty percent (30%) of all new predevelopment, construction and post-construction jobs generated by the redevelopment first for current residents of Rose Hill Courts, second to qualified Section 3 residents of the North East Los Angeles neighborhood, third to participants in HUD’s Youthbuild programs in the City of Los Angeles, and fourth to residents of the City of Los Angeles who meet Section 3 eligibility requirements. Furthermore, the Partnerships will strive to provide at least ten percent (10%) of all construction work hours to Section 3 Residents according to the hiring priorities set forth above. A Construction and Post-Construction Section 3 Local Hiring and Contracting Plan will be submitted to HACLA prior to commencement of activities for review and approval. The Hiring Plan will discuss strategies and investments that will assist in enabling their contractors and consultants to hire and train Section 3 residents during the construction and post-construction stages to achieve the minimum numerical goals for hiring, work hours and subcontracting.

**Attachment:**

1. Resolution

**ATTACHMENT 1.**

**RESOLUTION**

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF LA CIENEGA LOMOD, INC., AS THE SOLE MEMBER OF LOMOD RHC II, LLC, A SINGLE PURPOSE ENTITY AND MANAGING GENERAL PARTNER OF ROSE HILL COURTS II HOUSING PARTNERS, L.P. (THE "PARTNERSHIP"), TO RECEIVE UP TO \$2,000,000 OF ADDITIONAL DEVELOPER FEE FOR ROSE HILL COURTS PHASE II; COMMIT TO RECONTRIBUTING SUCH ADDITIONAL DEVELOPER FEE TO THE PARTNERSHIP AS A \$2,000,000 CAPITAL CONTRIBUTION FOR THE CONSTRUCTION OF ROSE HILL COURTS PHASE II; AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, at a duly constituted meeting held on June 23, 2022, the following determinations were adopted by the Board of Directors (the "Board") of La Cienega LOMOD, Inc. ("La Cienega");

**WHEREAS**, La Cienega is an instrumentality of the Housing Authority of the City of Los Angeles ("HACLA") and 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");

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

**WHEREAS**, HACLA intends to transform the Rose Hill Courts public housing community into a mixed-income, environmentally friendly, vibrant urban village, conducive to healthy living and economically progressive conditions;

**WHEREAS**, on March 19, 2020, HACLA's President and CEO executed a Disposition and Development Agreement ("DDA") with Rose Hill Courts II Housing Partners, L.P., (the "Partnership") for the redevelopment of Phase II of Rose Hill Courts (the "Project");

**WHEREAS**, the redevelopment is comprised of two phases with Phase I containing 89 units and with Phase II containing 96 units;

**WHEREAS**, HACLA and the Partnership have been working to further the Project's design, conducting necessary predevelopment activities, finalizing the financing plan and preparing funding applications;

**WHEREAS**, LOMOD RHC II, LLC ("LOMOD RHC II"), a single purpose entity with La Cienega as its sole member has executed the First Amended and Restated Limited Partnership Agreement of the Partnership ("LPA"), and will serve as the managing general partner of the Partnership and

perform those responsibilities required by the State Board of Equalization ("SBOE") to obtain and maintain a property tax welfare exemption for the Project;

**WHEREAS**, HACLA and the Partnership have agreed that Related/Rose Hill Courts II Development Co., LLC, a California limited liability company, will be the administrative general partner of the Partnership, and a tax credit equity investor will be admitted to the Partnership as an investor limited partner at the construction financing closing and all partners will execute a further amended and restated LPA;

**WHEREAS**, the Partnership has agreed to increase the developer fee paid for the Project by \$2,000,000 beyond the \$3,500,000 cap imposed by California Department of Housing and Community Development ("HCD"), which will be payable solely to La Cienega (the "Additional Developer Fee");

**WHEREAS**, pursuant to HCD regulations, the developer fee cap may be increased by the dollar value of capital contributions of funds for project development costs, subject to HCD approval, which approval the Partnership shall seek as necessary;

**WHEREAS**, La Cienega will make a capital contribution to LOMOD RHC II and LOMOD RHC II intends to make a capital contribution to the Partnership in the amount of \$2,000,000 (the "MGP Capital Contribution") which will be funded from the Additional Developer Fee to decrease the Project's funding gap and increase LIHTC eligible basis;

**WHEREAS**, the Partnership will apply to HCD's FY2022 Super Notice of Funding Availability for the Multifamily Housing Program ("MHP") for up to \$15,000,000 in funding; and

**WHEREAS**, HACLA staff will return to the Board to approve the execution of any additional financing and ownership documents, including the further amended and restated LPA adding the equity investor, and the execution of any documents, certificates and agreements related to the Project in order to consummate the successful financial and construction closing of the Project.

**NOW, THEREFORE, BE IT RESOLVED**, the Board of Directors of La Cienega does hereby authorize and approve as follows:

The President, the Secretary or the Treasurer of La Cienega (each, an "Authorized Representative") 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 documents and agreements in connection with the Additional Developer Fee and a commitment to make the MGP Capital Contribution, subject to availability of the Additional Developer Fee, all with such changes as approved by legal counsel, and execute all other documents or agreements or undertake 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 La Cienega with respect to the transactions contemplated by this Resolution are hereby approved and ratified, and the Authorized Representatives, and each of their respective designees, 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 legal counsel may deem necessary or advisable to consummate the commitment of the MGP Capital Contribution, subject to the availability of the Additional Developer Fee, and to otherwise to effectuate the purpose of this Resolution, as approved by legal counsel, without further approval of the La Cienega Board of Directors.

**BE IT FURTHER RESOLVED** that the "Designated Officers" of La Cienega referred to herein are as follows:

<u>Name</u>	<u>Title</u>
Tina Smith-Booth	President
Lisette Belon	Secretary
Patricia Kataura	Treasurer

**FINALLY, BE IT RESOLVED** that this Resolution shall take effect immediately.

APPROVED AS TO FORM:  
JAMES JOHNSON

LA CIENEGA LOMOD, INC.

BY: \_\_\_\_\_  
General Counsel James Johnson

BY: \_\_\_\_\_  
Chair Cielo Castro

DATE ADOPTED: \_\_\_\_\_