

REPORT OF THE PRESIDENT

June 23, 2022

RESOLUTION AUTHORIZING THE PRESIDENT OF LA CIENEGA LOMOD, INC. (“LOMOD”), ACTING AS THE SOLE MEMBER AND MANAGER OF WESTLAKE MACARTHUR PARK APARTMENTS, LLC, TO JOINTLY APPLY TO, AND PARTICIPATE IN, THE STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY DEVELOPMENT’S HOMEKEY PROGRAM, TOGETHER WITH THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, FOR THE ACQUISITION OF THE REAL PROPERTY ASSET LOCATED AT 740 S. ALVARADO STREET, LOS ANGELES, CALIFORNIA 90057, AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH



Tina Booth
President



Lisette Belon
Secretary

Purpose: To approve and adopt language in conformity with the template authorizing resolution (“Template Resolution”) prescribed by the State of California’s Department of Housing and Community Development (“HCD”) in connection with the Notice of Funding Availability (“2021 NOFA”) for the second round of the Homekey Program (“Homekey”) in order to obtain funding to offset the acquisition cost of the real property located at 740 S. Alvarado Street in the City of Los Angeles (the “Property” or the “Project”).

Issues:*Background*

La Cienega LOMOD, Inc. (“LOMOD”) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law under the direct control of the Authority. LOMOD acts as a managing general partner, general partner and non-managing member, having ownership interests in thirteen property ownership partnerships for Authority redevelopment and development projects.

Westlake MacArthur Park Apartments, LLC (the “Project Entity”) is a limited liability company formed in the State of California to act as a single, limited purpose entity to own, manage and oversee the financial and operational duties related to the real property asset, 740 S. Alvarado Street. The Project Entity is a limited liability corporation whose sole member and manager is LOMOD.

On April 15, 2022, HCD delivered a Threshold Determination to HACLA indicating that the Project Entity was not an eligible applicant because it was not a public entity. HACLA appealed the determination, and HCD granted the appeal and confirmed the Project’s eligibility on June 2, 2022. On the same date, HCD delivered to HACLA a notice of Threshold Clarification Needed, which indicated that additional clarification and documents were needed in order to proceed with HCD’s consideration of the application. Included among the required items were updated authorizing resolutions from the Project Entity, LOMOD, and HACLA.

Based on follow-up discussion with HCD staff, HACLA staff learned that the reason for the updated resolution was that the resolutions adopted by HACLA and LOMOD in January of 2022 did not conform to the Template Resolution. Specifically, the prior resolutions do not explicitly authorize the submission of an application in response to the NOFA. In order to ensure that the application continues to be processed and that capital funds are ultimately received from HCD, LOMOD, as a co-applicant with HACLA and sole member and manager of Westlake MacArthur Park Apartments, LLC, must now adopt the attached resolution that conforms to the Template Resolution on its behalf and on the behalf of the Project Entity.

The Property

740 S. Alvarado is an eighty (80) unit new construction, multifamily property consisting of forty-one (41) studio units, thirty-three (33) one-bedroom units, and six (6) two-bedroom units. The Property also includes 3,187 square feet of ground level commercial space, which will primarily be used for resident services with a small portion leased for commercial purpose. The Property was delivered fully vacant at closing, with a Temporary Certificate of Occupancy from the City of Los Angeles. Although located a short distance from the busy intersection of Alvarado and Wilshire in the heart of Westlake, the Property has secure residential entrances and the units sit elevated from the street, creating a quieter and more private environment for residents. The Property has a generous lobby and lounge area, a laundry room as well as outdoor common area, a community room and roof deck. There are only a few parking spaces associated with the site, making parking a premium. However, the neighborhood is well-served by public transit and multiple amenities within a ¼ to ½ mile walking distance.

Funding

The Project Entity purchased the Property for a price of \$30,750,000 on January 21, 2022. The purchase was financed with a draw on the HACLA line of credit ("LOC") of \$15,750,000. The remaining \$15,000,000 was financed through a seller carryback loan at a rate of 0% with a maturity of April 15, 2022. The seller also received a lump sum payment of \$400,000, to offset lost rent for holding the property vacant, and a repair credit of \$245,000. Additional costs incurred at closing included a \$300,000 Assignment Fee paid to PATH Ventures to assign their rights in escrow to the Project Entity and a \$600,000 fee to the original broker, Apollo Capital, who required approximately 2.5% of the sales price as their fee.

The Homekey application includes a request for \$22,715,000 of Homekey capital funds that, if approved, will be wired to HACLA as grants. The majority of the funds will be wired upon execution of a Standard Agreement for the Project, and a smaller portion will be released if HACLA can achieve 90% occupancy of the Project within eight (8) months of the award. The grant funds will reimburse HACLA for the purchase price and will be used to pay down the loan and the balance on the LOC. After submitting the initial application, HACLA became aware that the Homekey funds would not be received prior to the maturity of the seller carryback loan. As a result, HACLA negotiated an early payoff of the seller carryback loan, which was paid in full on March 9th at a discount of \$98,500, or a total cost of \$14,901,500. The carryback loan payoff was financed with an additional draw of \$7,500,000 from the LOC and a loan of HACLA unrestricted funds to the partnership to cover the balance of the payment.

The balance on the LOC for the Property will be taken out in late 2022 to mid-2023 with permanent financing through a bond issuance, long-term facility, or conventional or agency debt. The debt will be repaid with the net operating income from the Property. The financing plan for the Project also includes a developer fee of \$1,000,000 that will be paid to LOMOD subject to long-term financing. Unrestricted HACLA funds will also be used to cover rehabilitation work for life safety and accessibility improvements and to purchase furnishings.

Subject to the Board of Commissioners' approval on January 11, 2022, HACLA will provide the Partnership, either directly or through LOMOD a grant of any Project Homekey funds received and has recorded a covenant on the Property in favor of HACLA requiring the 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.

Seventy-nine of the units are subject to HUD affordability requirements for 20 years under a Project-Based Voucher Housing Assistance Payment ("HAP") awarded in January by the HACLA Board of Commissioners through resolution No. 9801, and pursuant to the authority granted under the October 2017 HUD Notice. As allowed by project-based voucher regulations, the Authority would 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 Partnership's continued compliance with the HAP Contract.

Prior to lease-up the Property has incurred security and management expenses. Given prior experience with vacant properties, LOMOD anticipates the need to budget at least \$30,000/month to cover these costs. These funds will be drawn from non-federal sources within the rent subsidy program and loaned to the Project Entity.

*Role as
Managing Member*

As the sole member and manager of Westlake MacArthur Park Apartments, LLC, LOMOD has the authority to grant or loan funds to the Project Entity, make operational and capital decisions on behalf of the Project Entity, provide any development or operational guarantees to any lender or investor, execute all agreements, applications and adopt any resolution necessary to effectuate Westlake MacArthur Park Apartments, LLC's purpose. According to Section 6.1 of the Operating Agreement of Westlake MacArthur Park Apartments, LLC dated January 6, 2022, Further, if Westlake MacArthur Park Apartments, LLC is in default under a project document, only its partnership interest may be accessed to satisfy any liability. The only exceptions are if LOMOD or Westlake MacArthur Park Apartments, LLC has committed fraud or misappropriated partnership funds.

Close of escrow and financing occurred on January 21, 2022. To date, Westlake MacArthur Park Apartments, LLC has entered into a service agreement with PATH, hired an onsite property management company and full-time security, full furnished every unit and distributed hygiene kits, as well as bathroom and kitchen supplies. Rehabilitation work is being designed and permitted to enlarge service

area and increase fully ADA acceptable units. Lease-up is projected to begin in the coming months.

Attachments:

1. Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT OF LA CIENEGA LOMOD, INC. (“LOMOD”), ACTING AS THE SOLE MEMBER AND MANAGER OF WESTLAKE MACARTHUR PARK APARTMENTS, LLC, TO JOINTLY APPLY TO, AND PARTICIPATE IN, THE STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY DEVELOPMENT’S HOMEKEY PROGRAM, TOGETHER WITH THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, FOR THE ACQUISITION OF THE REAL PROPERTY ASSET LOCATED AT 740 S. ALVARADO STREET, LOS ANGELES, CALIFORNIA 90057 (THE “PROPERTY”), AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, La Cienega LOMOD, Inc. (“LOMOD”) 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”);

WHEREAS, the Act authorizes LOMOD to make and execute contracts and other instruments necessary or convenient for the exercise of its powers or those entities for which LOMOD is the sole member and manager;

WHEREAS, the Housing Authority of the City of Los Angeles (“HACLA”) caused the creation of Westlake MacArthur Park Apartments, LLC, with LOMOD as its sole member and manager, in order to manage the Property as a deeply affordable housing project focused on serving the homeless and those at risk of homelessness;

WHEREAS, the Property is comprised of 80 units in a newly-constructed residential development with space for services and amenities, of which up to seventy-nine (79) units have been dedicated Project Based Vouchers (“PBV”), and which will provide deeply affordable housing for households qualifying as homeless or at risk of homelessness under the Project Homekey program;

WHEREAS, the Board of Directors of LOMOD, acting on behalf of Westlake MacArthur Park Apartments, LLC as its sole member and manager, must approve the execution of all applicable financing and ownership documents, including an application to the California Department of Housing and Community Development (“HCD”) for capital grant funding for the Property;

WHEREAS, the California Department of Housing and Community Development (“Department”) issued a Notice of Funding Availability, dated September 9, 2021 (“NOFA”), for the Homekey Program (“Homekey” or “Program”), and the Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.);

WHEREAS, LOMOD through Westlake MacArthur Park Apartments, LLC (the “Project Entity”) desires to jointly apply for Homekey grant funds with HACLA (the “Authority”), and therefore the Project Entity is joining the Authority in the submittal of an application for Homekey funds (“Application”) to the Department for review and consideration as a Co-Applicant;

WHEREAS, the Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code), and Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (“Standard Agreement”), and all other legal requirements of the Homekey Program.

WHEREAS, Westlake Macarthur Apartments LLC acquired the Property on January 21, 2022;

WHEREAS, the Authority and the Project Entity submitted an Application to the Department on January 31, 2022; and

WHEREAS, on June 2, 2022, the Department delivered to HACLA a letter indicating that an updated resolution was needed or the Department to consider the application for the Property, which updated resolution must conform to the language set forth in the template authorizing resolution made available by the Department and which must include an explicit authorization to submit the Application to the Department.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of La Cienega LOMOD, Inc., acting on behalf of itself and as the sole member and manager of Westlake MacArthur Park Apartments, LLC does hereby authorize and approve as follows:

Section 1. The Project Entity, as a Co-Applicant, is hereby authorized and directed to submit or resubmit a joint Application with the Authority to the Department for the Property in response to the NOFA, and to jointly apply for Homekey grant funds in a total amount not to exceed \$25,000,000.

Section 2. If the Application is approved, Co-Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement for the Property in a total amount not to exceed \$25,000,000, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department and to participate in the Homekey Program, and all amendments thereto, with respect to the Property (collectively, the “Homekey Documents”).

Section 3. The Project Entity, as Co-Applicant, acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Standard Agreement.

Section 4. The President, the Secretary, or the Treasurer of LOMOD (collectively, the “Authorized Representatives”), and each of their respective designees, are hereby authorized to execute the Application and the Homekey Documents on behalf of Co-Applicant for participation in the Homekey Program.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately on this 23rd day of June, 2022.

APPROVED AS TO FORM:

LA CIENEGA LOMOD, INC.

BY: _____

JAMES JOHNSON, GENERAL COUNSEL

BY: _____

CHAIRPERSON CIELO CASTRO

DATE ADOPTED: _____