RESOLUTION AUTHORIZING JOINT APPLICATION TO, AND PARTICIPATION IN, THE STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY DEVELOPMENT’S HOMEKEY PROGRAM 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

______________________________
Douglas Guthrie Geoffrey Moen
President & Chief Executive Officer Director of Development

Purpose: To 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 Project 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”).

Regarding:
Resolution No. 9710, adopted by the HACLA Board of Commissioners (“Board” or “BOC”) on May 27, 2021, authorized HACLA to submit multiple applications, on its own behalf and in collaboration with the City, in response to the 2021 NOFA, to apply for Homekey grant funds in a total amount not to exceed $250,000,000, including $220,000,000 for capital expenditures and $30,000,000 for capitalized operating subsidy; to enter into one or more Standard Agreements with HCD; to enter into a Memorandum of Understanding with the City; and to execute any related agreements, documents and contracts. Subsequent to the acquisition of the Property, Resolution No. 9792 authorized an increase in the maximum amount of funding for which HACLA could apply under the 2021 NOFA to $425,000,000.

Resolution No. 9787, adopted by the BOC on January 11, 2022, authorized HACLA to acquire the Property in response to the 2021 NOFA and to execute and deliver all related documents, certificates, and agreements, and made a determination that the acquisition of the Property was exempt from review under the California Environmental Quality Act (“CEQA”).
Resolution No. 9801, adopted by the BOC on January 27, 2022, authorized HACLA to dedicate 78 Section 8 Project-Based Vouchers (“PBV”) to the Property pursuant to Notice of Funding Availability No. HA-2021-164.

On January 20, 2022, the President and CEO provided a memorandum to the Board of Commissioners providing an update on acquisition terms and financing for the purchase of 740 S. Alvarado including the restructuring of the purchase to allow HACLA to acquire the site as the sole owner through a newly formed instrumentality under La Cienega LOMOD, Inc. known as Westlake MacArthur Park Apartments, LLC.

Resolution No. 9848, adopted by the BOC on April 26, 2022, authorized HACLA to accept a loan in the amount of $2,725,000 from the City of Los Angeles to assist in providing funds to purchase, operate or improve 740 S. Alvarado Street and execute related loan documents, including a note and deed of trust.

**Issues:**

*Homekey Program:*

On June 28, 2021, the State enacted a budget for 2021-2022 with $2.75 billion in funding for a second round of Homekey, including $2.2 billion in Coronavirus Relief Funds (“CRF”) and $550 million from the State’s general fund. Geographic allocations were included in the 2021 NOFA, with all jurisdictions in Los Angeles County receiving a $358,681,953 set-aside up to a cutoff date of January 31, 2022. HCD issued the 2021 NOFA with program requirements and scoring criteria for the second round of Homekey on September 9, 2021 and the 2021 NOFA program was opened for submittals on October 1, 2021.

HACLA submitted a total of fifteen (15) applications to HCD in response to the 2021 NOFA, for a total requested funding amount of $378,204,446. The applications consisted of: 1) properties that would be owned and held by HACLA as part of its own portfolio, including the Property; and 2), properties that HACLA would acquire on behalf of the City of Los Angeles (“City”), pursuant to a Professional Services Agreement between HACLA and the City, and which would subsequently be transferred by HACLA to owner/operators to be selected by the City. All applications were submitted on or before January 31, in order to permit access to the geographic allocation and a $10,000 per unit bonus for timely application submittals.

**Partnership and Property Application**

HACLA was able to secure the right to purchase 740 S. Alvarado Street (the “Property”) through an Assignment Agreement of the existing Purchase and Sale Agreement between PATH Ventures and 740 Alvarado JV, LLC at a below market per unit basis, conditioned on HACLA’s ability to close quickly on the transaction.
As a result, the BOC authorized HACLA to purchase the Property using HACLA resources, including a draw on the Line of Credit (“LOC”), on January 21, 2022.

Entering into the 5th Amendment to the Purchase and Sale Agreement, HACLA formed a single-purpose entity named Westlake MacArthur Park Apartments LLC (the “Project Entity”). The Project Entity has one member, La Cienega LOMOD, Inc. (“LOMOD”), which owns 100% of the membership interests and which serves as the manager of the Project Entity. LOMOD is a California nonprofit public benefit corporation and is an instrumentality of HACLA, which has complete control and ownership of LOMOD through a Board comprised solely of members of the HACLA BOC. The purpose of creating Westlake MacArthur Park Apartments, LLC is to have a single-purpose entity focused solely on one asset and managing all financial and legal obligations of the Property in order to protect HACLA from unnecessary legal exposure or financial risk.

On January 31, 2022, in order to secure eligibility for an early application bonus of $10,000 per unit, HACLA submitted an application for the Property to HCD for a total requested award of $21,715,000. The Project Entity was included on the application.

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, HACLA must now adopt the attached resolution that conforms to the Template Resolution.

*Property Summary:*

The Property is an eighty (80) unit new construction, multifamily property consisting of one six-story building with forty-one (41) studio units, thirty-three (33) one-bedroom units, and six (6) two-bedroom units, including the manager’s unit. The Property also includes 3,187 square feet of ground level commercial space, which will be used primarily for resident services with some space set aside.
for commercial uses. The Property was delivered fully vacant at closing with a Temporary Certificate of Occupancy executed by the Los Angeles Department of Building and Safety ("LADBS"). Pursuant to the purchase agreement with the seller, HACLA agreed to accept responsibility for obtaining a final Certificate of Occupancy following the close of escrow.

The Property is located at 740 S. Alvarado Street, one-half block south of MacArthur Park, one block from the Los Angeles County Metropolitan Transportation Authority’s Westlake/MacArthur Park B and D lines subway station, and approximately seven blocks southeast of HACLA’s central office. The area surrounding the Property includes multiple retail and office buildings and is within walking distance of schools, grocery stores and pharmacies.

HACLA’s underwriting process included a self-scoring of each project. A minimum score of 120 out of a possible 207 points is required to be eligible to receive funding. Criteria for scoring include the ability to expend funds timely, demonstration of operating leverage, experience, racial equity and community engagement, and community impact and site selection. Projects may receive negative points for the permanent displacement of existing residents.

HACLA staff determined that the Property would score above the 120-point threshold for funding eligibility, with a total score of 173 points. HACLA will not receive confirmation of scoring until HCD completes its review and consideration of the application.

**Restrictions and Operations:**

The Property will be subject to income and occupancy restrictions for a period of fifty-five (55) years. Forty (40) of the units within the Property will be targeted to individuals and families who are experiencing homelessness. The remaining thirty-nine (39) units will be targeted to individuals and families who are at risk of homelessness. All of the units, with the exception of the manager’s unit, will be restricted to occupancy by individuals and families with incomes at or below thirty percent (30%) of the Area Median Income for Los Angeles County. Residents will be referred and selected primarily using the Los Angeles County Coordinated Entry System for Single Adults, Youth, and Families.

Residents will pay thirty percent of their income toward rent. All of the units other than the manager’s unit will be covered by a Section 8 PBV contract that will pay the difference between the resident portion and the Voucher Payment Standard rent for the unit, less a utility allowance, as set forth periodically by HACLA. The Property will be managed by a third-party property management firm overseen by HACLA’s Asset Management Department. Services will be provided to residents through a third-party provider, People Assisting the Homeless ("PATH"), with funding provided by Los Angeles County.
**Financing:**

HCD received approximately $2.2 billion in funding requests for $1.3 billion available in the second round of Homekey. HCD decided to issue Conditional Reservations of Funds to projects that exceeded the amount of funding set aside for the second round. HCD is currently requesting that the state legislature allow for funds set aside for the third round of Homekey to be used to fund second round applications that exceed the scoring threshold. Initial guidance indicated funding would be available in July 2022, and that HCD would be prepared to fund closings of escrow in late July 2022. Guidance has since shifted, and HCD is not anticipating being able to fund closings until early September 2022. Once the proposed resolution is adopted and delivered to HCD, the application can be considered for approval, and the staff expects that the Project will receive a conditional reservation of funds.

HACLA, through 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 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 closing costs included a $300,000 payment to PATH Ventures for the value of the assignment of their rights in the Purchase and Sale Agreement and a $600,000 payment to Apollo Capital who acted as the broker on the original transaction.

The Homekey application includes a request for $22,715,000 of Homekey capital funds that, if approved, will be wired to HACLA as grant funding. 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 requirements. Unrestricted HACLA funds will also be used to cover rehabilitation work for life safety and accessibility improvements and to purchase furnishings.

**Vision Plan:**  **Place Strategy #4: Steward efforts to reduce and alleviate homelessness.**

HACLA has expended and will continue to expend extensive funding and staff time to identify and secure agreements to purchase properties within the City in which to provide decent, safe, and sanitary housing for individuals and families experiencing homelessness or at risk of homelessness. Through its instrumentality, HACLA has already acquired the Property. Obtaining Homekey funding is critical to the financial viability of operating the Property on an ongoing basis to provide housing for families who are experiencing or at risk of homelessness.

**Place Strategy #5: Expand HACLA’s role in the broader communities it serves to improve neighborhood-wide health and well-being.**

Acquiring vacant properties to provide decent, safe, and sanitary housing for individuals and families experiencing homelessness or at risk of homelessness will reduce the number of Angelenos exposed to adverse health outcomes in neighborhoods throughout the City of Los Angeles.

**Funding:**  The Chief Administrative Officer confirms the following:

**Source of Funds:**

Through its instrumentality, LOMOD, sole member of the Project Entity, HACLA has already acquired the Property using funds from the LOC and a loan of unrestricted HACLA funds to the Project Entity. The proposed resolution will allow HACLA to obtain approximately $21.7 million in capital funding from Homekey which will be used to pay down the HACLA loan and the balance on the LOC for this Project. There is no additional cost associated with the proposed resolution.

**Budget and Program Impact:**

The operations of the Property will be supported through rental income from Project-Based Section 8 vouchers covering each of the units at the Property other than the manager’s unit. The proposed resolution will not alter the previously authorized operational plan for the Property or affect the budget or program impact.

Inability to obtain Homekey capital funding would result in HACLA needing to identify alternative sources of funding for the Property and could result in a need to reconsider the income mix and target population for the Property in order to increase debt proceeds.
Environmental Review:

**NEPA:** The primary source of funding for Homekey, CRF, are federal funds and therefore require National Environmental Protection Act (“NEPA”) review. The responsible entity agency for determining compliance with or exclusion from the provisions of NEPA is the Los Angeles Housing Department (“LAHD”). On February 25, 2022, the Director of Finance & Development for LAHD, who is the responsible entity agency official, executed an Environmental Review for Activity/Project that is Categorically Excluded Subject to Section 58.5 Pursuant to 24 CFR 58.35(a) (“CEST”). The executed CEST included a determination that the Project was categorically excluded and was converted to exempt, per 24 CFR 58.34(a)(12) because there are no circumstances which require compliance with any of the federal laws and authorities cited at §58.5.

The proposed resolution includes no additional action that would trigger further consideration under NEPA.

**CEQA:** The BOC determined on January 11, 2022, through Resolution No. 9787, that the acquisition of the Property met the requirements of CEQA categorical exemptions allowed under Title 14, Division 6, Chapter 3, Sections 15301 (Existing Facilities) and 15326 (Acquisitions of Housing for Housing Assistance Programs) of the California Code of Regulations.

The staff subsequently caused a Notice of Exemption (“NOE”) to be filed with the Los Angeles County Registrar-Recorder/County Clerk (“LA RR/CC”), pursuant to Public Resources Code section 21152(b). The proposed resolution includes no additional action that would trigger further consideration of CEQA.

**Section 3:** Not Applicable.

**Attachments:**

1. Resolution
2. Acquisition Property Summary
ATTACHMENT 1

Resolution
RESOLUTION NO.______________

RESOLUTION AUTHORIZING JOINT APPLICATION TO, AND PARTICIPATION IN, THE STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY DEVELOPMENT’S HOMEKEY PROGRAM 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

WHEREAS, the Housing Authority of the City of Los Angeles (the “Authority” or “HACLA” or “Co-Applicant”) is a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law, consisting of Part 2 of Division 24 of the California Health and Safety Code (the “Act”), including the power to finance, acquire and manage property in the furtherance of providing affordable housing;

WHEREAS, the California Department of Housing and Community Development (“Department”) has 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, HACLA desires to jointly apply for Homekey grant funds with Westlake MacArthur Park Apartments, LLC as the project entity (“Project Entity”) for the acquisition of 740 S. Alvarado Street (the “Property”) and Westlake MacArthur Park Apartments, LLC is a California limited liability company, whose sole member and manager is La Cienega LOMOD, Inc., (“LOMOD”) a California nonprofit public benefit corporation, an instrumentality of HACLA with its Board of Directors required to be comprised solely of members of HACLA’s Board of Commissioners;

WHEREAS, through separate action, the Project Entity and LOMOD, through action taken by the LOMOD Board of Directors, will also consider joint submittal of an application for Homekey funds (“Application”) to the Department for review and consideration;

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, the Authority is authorized to acquire and dispose of real property and enter into contracts and agreements related thereto pursuant to the California Health and Safety Code Section 34200 et seq. and particularly with respect to Section 34315;
WHEREAS, the Authority’s Board of Commissioners, through Resolution No. 9787, adopted on January 11, 2022, approved the acquisition of the real property located at 740 S. Alvarado Street, in the City of Los Angeles, California 90057 (the “Property”) in response to the NOFA;

WHEREAS, the Authority, through LOMOD in its capacity as the sole member and manager of the Project Entity, acquired the Property on January 21, 2022;

WHEREAS, the Authority jointly submitted an Application with the Project Entity to the Department on January 31, 2022 for Homekey Funding for the Property; and

WHEREAS, on June 2, 2022, the Department delivered to the Co-Applicant a letter indicating that an updated resolution was needed for 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 Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

Section 1. The recitals hereinabove set forth are true and correct, and this Board of Commissioners so finds. This Resolution is being adopted pursuant to the powers granted the Authority by Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code.

Section 2. HACLA is hereby authorized and directed to submit or resubmit a joint Application with Westlake MacArthur Park Apartments, LLC through the authority of its sole member and manager, La Cienega LOMOD, Inc. 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 $21,725,000.

Section 3. If the Application is approved, HACLA is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement for the Property in a total amount not to exceed 21$21,725,000, 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 4. HACLA 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 5. The President and Chief Executive Officer, or one or more of the Designated Officers, is authorized to execute the Application and the Homekey Documents on behalf of Co-Applicant for participation in the Homekey Program.

Section 6. BE IT FURTHER RESOLVED that the Designated Officers of the Authority referred to above are as follows:

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<tr>
<th>Name</th>
<th>Title</th>
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<tr>
<td>Douglas Guthrie</td>
<td>President and Chief Executive Officer</td>
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<tr>
<td>Marlene Garza</td>
<td>Chief Administrative Officer</td>
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<tr>
<td>Jenny Scanlin</td>
<td>Chief Development Officer</td>
</tr>
<tr>
<td>Margarita Lares</td>
<td>Chief Programs Officer</td>
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Section 7. BE IT FURTHER RESOLVED that this Resolution shall be effective upon its adoption.

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 23rd day of June, 2022.

APPROVED AS TO FORM

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: __________________________
James Johnson, General Counsel

By: __________________________
Cielo Castro, Chairperson

DATE ADOPTED: __________________________
ATTACHMENT 3

Acquisition Property Summary for
740 S. Alvarado Street
Acquisition Property Profile: 740 Alvarado

BOC Meeting Date: 6.23.22

PROPERTY LOCATION
This property is located at 740 S. Alvarado St, Los Angeles, CA 90057 in the Westlake neighborhood. The property is located in Council District 1 (CD 1). According to the 2020 Homeless Count Report CD1 reported 2,374 individuals in need of shelter. The zip code area currently has a median household income of $37,700.

PROPERTY DESCRIPTION
740 S. Alvarado is a new construction 80-unit multifamily property completed in Fall 2021. The property includes one structure with a height of six stories that was constructed using a modular approach.

Assessor’s Parcel Number: 5141-019-007
Land Area: 16,553 sf
Building Square Footage: 41,098 sf
Parking: 4 Parking Spaces
Amenities:
- Rite Aid Pharmacy
- Esperanza Elementary
- Studio 41 units
- 1744 W 6th Street
- 680 Little Street
- 1BR 33 units
- 2BR 6 units

PROPERTY CONDITION
The property is newly constructed and has had no occupancy prior to acquisition. Property is located in a Tier 4 Transit Oriented Communities district.

COMMUNITY AMENITIES

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UNIT MIX

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ZONING AND PERMITTING

LA City Planning Entitlements: 11/1/2019
Building Permit received: 1/19/2020
Certificate of Occupancy issued: 1/20/2022