

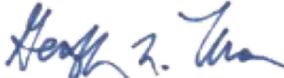
REPORT OF THE PRESIDENT AND CEO

July 28, 2022

RESOLUTION AUTHORIZING THE FINANCIAL COMMITMENT OF A CONSTRUCTION AND PERMANENT GAP LOAN IN THE AMOUNT OF UP TO \$1,305,000 AND A CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT (CNI) LOAN OF \$2,850,000 TO JORDAN DOWNS PHASE S4 REDEVELOPMENT PROJECT PURSUANT TO THE SUBMITTAL OF FUNDING APPLICATIONS TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (CTCAC) FOR ALLOCATION OF 4% TAX CREDITS AND TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) FOR TAX-EXEMPT BONDS, AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A COMMITMENT LETTER AND ALL RELATED DOCUMENTS REQUIRED FOR THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH



 Douglas Guthrie
 President and CEO



 Geoffrey Moen
 Director, Development Services

Purpose: To authorize the President and CEO, or designee, to execute a financial commitment for a construction and permanent financing gap loan of up to \$1,305,000 (“HACLA Gap Loan”) and a Choice Neighborhoods Implementation Grant (CNI) loan of \$2,850,000 to the development partnership, Jordan Downs S4, LP (“Partnership” or “Owner”) for the Jordan Downs S4 redevelopment project (“Project”). The funds are intended to assist with construction of the vertical development and certain off-site improvements of the Project and are required to be committed by HACLA as a public agency to be competitive for an allocation of 4% tax credits from California Tax Credit Allocation Committee (“CTCAC”) and Tax-Exempt Bonds from California Debt Limit Allocation Committee (“CDLAC”).

Regarding: In continuing the phased redevelopment of Jordan Downs, currently broken up into 19 residential developments, Phase S4 represents the eighth development anticipated to reach construction closing.

On June 28, 2012, by Resolution 8969, the Housing Authority of the City of Los Angeles’ (“HACLA”) Board of Commissioners (“BOC” or “Board”) 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 25, 2020 the Board approved the Housing Authority to accept the FY 2019 Choice Neighborhoods implementation grant (“CNI”) awarded by the U.S Department of Housing and Urban Development (“HUD”) in the amount of \$35M to be used towards the redevelopment of the Jordan Downs public housing community and critical community investments in the greater Watts neighborhood (Resolution 9605).

On August 27, 2020 the Board approved the commitment of fifty-six (56) project-based vouchers to the Project (Resolution No. 9526). Under a separate action before the BOC on this month's agenda, staff is recommending the dedication of six (6) additional PBVs to the Project, for a total of sixty-two (62) PBVs, in order to make the project economically feasible, due to higher interest rates and increased construction costs.

On August 27, 2020 the Board approved the commitment of gap funding of up to \$2,800,000 of U.S Department of Housing and Urban Development ("HUD") Choice Neighborhoods Implementation grant ("CNI Grant") and an Acquisition Loan for the Ground Lease fee tied to an appraised amount no less than \$3,150,000 to the Project as well as the commitment of seventeen (17) RAD vouchers in order for the Owner to be competitive for an application for State of California Multifamily Housing Program funds (MHP) (Resolution No. 9627).

On July 7, 2021 by Resolution 9723, HACLA Board of Commissioners approved the application for and acceptance of \$30 million in State of California Infill Infrastructure Grant (IIG) for four phases of Jordan Downs, including \$5,025,000 for Jordan Downs Phase S4. The IIG funding will be provided in the form of a residual receipt loan to by HACLA bearing a 0% interest rate for 55 years.

Issues:

The Project will be comprised of ninety (90) apartment units and developed on a 1.99-acre parcel. The development site is located on Grape Street Between 101st and 102nd street, across from the Phase S2 & S3 Projects and will be wholly developed on legacy Jordan Downs public housing property after demolition of vacated public housing residential buildings anticipated to begin this fall.

Background

The Partnership will be applying to CDLAC on August 9, 2022 for tax-exempt bonds and to CTCAC for 4% tax credits allocation. Awards are expected in November 2022. In order for the Partnership to be successful in their application, CTCAC requires a commitment of all public agency funding included in the project budget at the time of submission. If awarded, the financial closing is projected for May 2023, with construction commencing immediately thereafter. The current anticipated construction completion date is October 2024.

The projected funding sources and uses contemplated at this time are outlined in the table below.

USES:	
Acquisition Costs	\$3,150,000
Construction Costs	\$41,184,85
Constr. Contingency	\$2,269,243
Sitework	\$5,200,000
Soft Costs	\$7,014,874
Financing Costs	\$6,526,281
Developer Fee	\$8,412,069
Operating Reserve	\$368,000
Escrow 1 st yr RE Tax & Insurance	\$127,315
HCD Transition Reserve Est.	\$750,000
Debt Service Reserve	\$308,000
Total	\$75,310,634

SOURCES:	
Investor + GP Equity	\$26,576,031
GSE – Freddie Mac	\$12,430,000
Deferred Dev Fees	\$1,300,000
HACLA Acquisition Note	\$3,150,000
Loan of CNI Grant	\$2,850,000
Loan of IIG Grant	\$5,025,000
MHP Program	\$17,000,00
HACLA GAP Loan	\$1,305,000
MGP Capital contribution	\$4,912,069
Accrued Interest	\$513,934
Refund of rate lock deposit	\$248,600
Total	\$75,310,634

As detailed construction drawings are developed and firm commitments are obtained from lenders and an equity investor upon award of tax credits, the sources and uses will be adjusted accordingly prior to the financial closing of the Project. At that time, all related transaction documents in connection with the development financing including, a Disposition and Development Agreement (“DDA”), Ground Lease, U.S. Department of Housing & Urban Development Rental Assistance Demonstration (“RAD”) Use Agreement, HACLA gap loan and the related Lender and Investor documents will be presented to the Board for authorization.

The recommended actions in this report will facilitate the further development of Phase S4 of the Jordan Downs Redevelopment Project. The 4% credits and tax-exempt bonds are the final tranche of financing needed to facilitate the full funding of this Project. The

actions recommended in this report are specific to Jordan Downs Phase S4 and its Developer, Jordan Downs S4, LP.

*Unit Mix
& Affordability*

The development of Phase S4 will allow for the construction of 90 new units, of which 79 will be affordable, 10 market rate, and one unrestricted managers unit. Of the 79 affordable units, fifty-six (56) are replacement units for existing Jordan Downs residents and twenty-three (23) are non-replacement units with seventeen (17) dedicated to homeless families and individuals.

The 79 affordable housing units will be subject to occupancy and affordability restrictions imposed by CTCAC, RAD and Section 8 regulations, restrictions applicable from other financing sources and lenders, and HACLA’s ground lease. The Developer and HACLA intend that all affordable residential units within the Project will be restricted for occupancy by households of low, very low and extremely low-income (“Restricted Units”) in accordance with the following tables. The Project will also include ten (10) unrestricted market rate and one manager’s unit.

TABLE 1

PBV/RAD/LITHC Units						
Unit Size	RAD	Replacement PBV	Non-replacement PBV	Market rate	MGR	Total
One Bedroom		9	6	5		20
Two Bedroom	6	19	12	1		38
Three Bedroom	8	9	5	4	1	27
Four Bedroom	3	1		-		4
Five Bedroom		1				1
Total	17	39	23	10	1	90

TABLE 2

	20% AMI	30% AMI	50% AMI	80% AMI	Market Rate	MGR	Total
One Bedroom	4	6	3	2	5		20
Two Bedroom	15	15		7	1		38
Three Bedroom	3	10	3	3	7	1	27
Four Bedroom		2		2			4
Five Bedroom		1					1
Total	22	34	6	14	13	1	90

*Rental
Assistance
Demonstration:*

The RAD program allows the conversion of the public housing subsidy into a project-based Section 8 subsidy platform, allowing the Project to obtain leverage from debt for the RAD units and 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.

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 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 4% Credits, or fails to complete the project in a timely manner.

Developer

Pursuant to the MDA, Jordan Downs Community Partners, LLC has assigned its rights and obligations to develop and own Phase S4 to the Partnership. La Cienega LOMOD, Inc., an instrumentality of HACLA and a California nonprofit public benefit corporation (“La Cienega”), has been admitted into the Partnership as the Managing General Partner (.0049% ownership share) and Jordan Downs Phase S4-Michaels LLC, a California limited liability company (an affiliate of Michaels) has been admitted as the Administrative General Partner (.0051% ownership share). Under the proposed financing structure, La Cienega will receive a portion of the developer fee equal to \$4,912,069, which it will in turn contribute back to the Partnership as a capital contribution as part of the sources and uses of the Project. This mechanism generates additional tax credit eligible basis, which in turn increases the amount of tax credit equity investment in the Project.

The current limited partners are Michael J. Levitt and Andrew Bocchino, but these individuals will be substituted with a tax credit investor upon closing of the financing for the transaction and the execution of a new Amended and Restated Limited Partnership Agreement.

*HACLA
Gap Loan/
CNI Loan*

Based on the most current underwriting and directly connected to escalating costs of construction, rising interest rates and inflation the assumed financial gap on the Project has grown since the BOC took actions to commit Watts Rising Choice Implementation grant funding to Phase S4 in August 2020. The initial actions allocated up to \$2,800,000 in Choice funding to be lent to the Partnership at a 3% simple interest rate for a term of 55-years with repayment out of residual receipts. This report recommends adding \$50,000 to that amount, for a revised Choice Loan of up to \$2,850,000 (“Choice Loan”) and maintaining the same general terms.

Additionally, HACLA would provide a new construction and permanent gap loan to Phase S4 for up to \$1,305,000 (“Gap Loan”) if the Partnership is successful in obtaining an allocation of 4% tax credits from CTCAC and an allocation of tax-exempt bonds from CDLAC and securing commitments from other lenders and an equity investor. This Gap Loan will be loaned to the Partnership at 4 % simple interest for a term of 55 years to be repaid from Project cash flow residual receipts.

This transaction will have a positive impact on the community, lead to the addition of much needed affordable rental housing in the City of Los Angeles and will improve the lives of residents of Jordan Downs and the Watts community.

**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 existing Jordan Downs 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:

Funding Source: \$1,305,000 in funds is available from unrestricted, uncommitted proceeds from the non-public housing portfolio for the Gap Loan. The \$2,850,000 Choice Loan will be funded from the CNI Grant award from HUD to HACLA which has set aside \$22 million for various affordable housing development phases.

CNI Grant Award – HACLA Bridge loan- Federal funding	\$2,850,000
<u>HACLA GAP Loan</u>	<u>\$1,305,000</u>
Total Request	\$4,155,000

*Budget and
Program
Impact:*

The commitment of funding the HACLA Gap Loan and Choice Loan will facilitate the securing of 4% Credit equity funding for this Project. Use of these funds is an effective approach to maintain deeply affordable units in public housing conversion projects and provides needed capital and operating subsidy to address the extraordinary costs associated with maintaining significant new infrastructure and open space improvements as well as providing supportive 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 Environmental Impact Report (“EIR”) 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 (“HCIDLA”) 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 HACLA’s Request for Release of Funds and Environmental Certification.

Section 3

The Developer will ensure that the Section 3 workers residing within the service area of the project and participants of Youth-Build programs 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 to meet HUD established labor hour benchmarks for Section 3 Workers and Targeted Section 3 Workers. Additionally, pursuant to HACLA’s Section 3 Policy and Compliance Plan, the Developer and their General Contractor will be required to engage in good faith efforts to set aside at least thirty percent (30%) of all new construction and post-construction jobs generated by the redevelopment for Section 3 Workers and Targeted Section 3 Workers in the order of hiring priority. Furthermore, the Developer and ~~the~~ General Contractor shall strive and use good faith efforts to set aside at least ten percent (10%) of their overall 30% Section 3 commitment for disadvantaged workers. Additionally, the Developer 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
2. Site Plan

ATTACHMENT 1

RESOLUTION

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE FINANCIAL COMMITMENT OF A CONSTRUCTION AND PERMANENT GAP LOAN IN THE AMOUNT OF UP TO \$1,305,000 AND A CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT LOAN (CNI) OF \$2,850,000 TO JORDAN DOWNS PHASE S4 REDEVELOPMENT PROJECT PURSUANT TO THE SUBMITTAL OF FUNDING APPLICATIONS TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (CTCAC) FOR ALLOCATION OF 4% TAX CREDITS AND TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) FOR TAX-EXEMPT BONDS, AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A COMMITMENT LETTER AND ALL RELATED DOCUMENTS REQUIRED FOR THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH

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;

WHEREAS, the Housing Authority of the City of Los Angeles ("HACLA") 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;

WHEREAS, on June 28, 2012, 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") for the redevelopment of Jordan Downs following which the MDA between HACLA and the Master Developer was executed on August 1, 2012 as amended;

WHEREAS, on June 25, 2020 the Board approved the Housing Authority to accept the FY 2019 Choice Neighborhoods implementation grant ("CNI") awarded by the U.S Department of Housing and Urban Development ("HUD") in the amount of \$35M to be used towards the redevelopment of the Jordan Downs public housing community and critical community investments in the greater Watts neighborhood;

WHEREAS, the Housing Authority and Jordan Downs Phase S4, LP (the "Partnership" or the "Phase S4 Owner") desire to develop 90 apartments on a 1.99-acre parcel located on 101st Street Los Angeles Ca 90002 (the "Project");

WHEREAS, the Project is a residential development project comprised of 90 units of which fifty-six (56) units will be replacement units for existing Jordan Downs residents including seventeen (17) RAD units, twenty-three (23) units will be non-replacement PBV units, of which seventeen (17) units are set aside at 20% AMI for homeless families and individuals, ten (10) units will be unrestricted market rate units, and one (1) unit will be an unrestricted manager's unit;

WHEREAS, the Phase S4 Owner desires to apply for 4% Low Income Housing Tax Credits ("LIHTC") from the California Tax Credit Allocation Committee ("CTCAC"), and an allocation of Tax-Exempt bonds from the California Debt Limit Allocation Committee ("CDLAC"), and the commitment of Gap Funding is necessary to finance the development of the Project and assure the allocation of the tax-exempt bonds and LIHTC;

WHEREAS, the Housing Authority desires to commit to providing the Project with up to \$2,850,000 in gap funding from the CNI Grant contingent on final approval by HUD at the time of construction closing ("Choice Loan");

WHEREAS, the Housing Authority desires to commit to providing the Project with a construction and permanent gap loan of up to \$1,305,000, pursuant to a promissory note (the “Gap Loan,” and together with the CNI Grant Loan, “Gap Funding”);

WHEREAS the seventy-nine (79) affordable residential units within the Project will be restricted for occupancy by households of low, very low and extremely low-income, while the remaining ten (10) market rate units and one (1) manager’s unit will be unrestricted, and all units will receive supportive services; and

WHEREAS, under the California Public Resources Code, Section 21166 and the California Environmental Quality Act (“CEQA”) including but not limited to sections 15162, 15163 and 15164, on the basis of substantial evidence contained in the whole record, that since the adoption of the Environmental Impact Report (ENV-2010-32-EIR) by the City Planning Commission on April 17, 2013, for the Jordan Downs Urban Village Specific Plan which incorporated all the components of the Jordan Downs Redevelopment (the “Project”) including the Phase S4 Project currently being proposed, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified effects in the Environmental Impact Report; two addendums to the FEIR were prepared on January 11, 2016 and April 4, 2016 respectively to address any additional impacts not considered in the EIR as the result of a proposed Specific Plan Amendment and found no subsequent EIR, addendum or further environmental documentation is necessary; this entire record was considered by the City Planning Commission on April 14, 2016 and has been provided to the Board of Commissioners in their consideration of this item.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

The President and Chief Executive Officer, or designee (“Designated Officers”), is hereby authorized to make conditional funding commitments consisting of a construction and permanent financing gap loan of up to \$1,305,000 and a Choice Neighborhoods Implementation Grant loan, from HACLA to the Partnership, of up to \$2,850,000, to the Phase S4 Owner for the Jordan Downs Phase S4 redevelopment project, and is hereby authorized and directed, for and on behalf of the Housing Authority, to submit and/or execute any other letters of commitment, certifications, approvals or information that may be required to assist in completing the funding application to CDLAC and CTCAC for allocation of tax-exempt bonds and low income housing tax credits, and effectuating the intent of this resolution, as approved by legal counsel, all on behalf of the Housing Authority.

BE IT FURTHER RESOLVED that the Designated Officers of HACLA referred to above are as follows:

Name	Title
Douglas Guthrie	President and Chief Executive Officer
Marlene Garza	Chief Administrative Officer
Jenny Scanlin	Chief Development Officer
Margarita Lares	Chief Programs Officer

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 28th day of July 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 2

SITE PLAN

