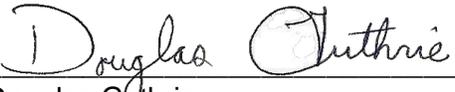
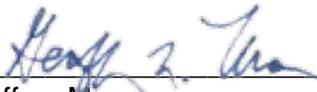


## Report of the President &amp; CEO

July 28, 2022

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PROVIDE CONDITIONAL FINANCIAL COMMITMENTS OF A CONSTRUCTION AND PERMANENT GAP LOAN OF UP TO \$4,500,000, AN ACQUISITION LOAN OF UP TO \$5,000,000, AND A CHOICE NEIGHBORHOODS IMPLEMENTATION LOAN OF UP TO \$3,345,900 FROM HACLA TO THE JORDAN DOWNS PHASE H2B REDEVELOPMENT PROJECT FOR INCLUSION AS PART OF THE SUBMITTAL OF A FUNDING APPLICATION FOR TAX-EXEMPT BONDS AND FEDERAL TAX CREDIT ALLOCATIONS, AND AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A COMMITMENT LETTER TO ACCOMPANY ANTICIPATED FUNDING APPLICATIONS AND UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH**

  
 Douglas Guthrie  
 President & Chief Executive Officer

  
 Geoffrey Moen  
 Director of Development Services

**Purpose:** To authorize the President and CEO, or designee, to make conditional financial commitments for a construction and permanent financing gap loan of up to \$4,500,000, an acquisition loan for the estimated value of the property, and a loan of Choice Neighborhoods Implementation (“CNI”) funding up to \$3,345,900 to the development partnership, Jordan Downs 3B, LP (the “Owner” or “Developer”), for the Jordan Downs Phase H2B redevelopment project (“Project”), which would go toward the vertical development and certain off-site improvements pursuant to the submittal of a funding application to the California Debt Limit Allocation Committee (“CDLAC”) and the California Tax Credit Allocation Committee (“CTCAC”) for allocation of tax-exempt bonds and Federal tax credits.

*Regarding:* 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 by Resolution 9605, the Board accepted the FY 2019 Choice Neighborhoods Implementation grant awarded by the U.S Department of Housing and Urban Development (“HUD”) in the amount of \$35 Million to be used towards the redevelopment of the Jordan Downs public housing site.

On April 22, 2021 by Resolution 9703, the Board approved the dedication of sixty-six (66) Project Based Vouchers (“PBVs”) for the Project. Under a separate action before the BOC on this month’s agenda, staff is recommending the dedication of twenty-five (25) additional PBVs to the Project, for a total of ninety-one (91) PBVs.

**Issues:**

## Background

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 (the “JD Redevelopment”). Since 2012, HACLA and the Master Developer have been working closely to implement the vision of a redeveloped Jordan Downs. This collaboration has involved creating a site plan and architectural studies and pursuing competitive and non-competitive financing for each phase. Cedar Grove (fka Phase 1A), was completed by BRIDGE in 2019, delivering 115 apartment units to the community and is 100% occupied. Michaels completed New Harvest (fka Phase 1B), a 135-unit residential development, in October 2020, and it is 100% occupied. Park Place (fka Area H), an 80-unit residential development, received a Temporary Certificate of Occupancy in March 2022, and is under lease-up. Oaktree Terrace (fka Phase S3), a 93-unit residential development, is under construction with tentative completion expected in August 2022. Phase S2 is an eighty-one (81) unit development that is under construction and is expected to be completed in the 4<sup>th</sup> quarter of 2022. Phase H2A, a 76-unit building, started construction in May 2022, and is expected to be completed in December of 2023. Primestor’s Freedom Plaza (fka Phase 1C), an 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.

Jordan Downs Phase H2B, comprised of one hundred nineteen (119) units, will be developed on a 1.9-acre parcel located between 97<sup>th</sup> and 99<sup>th</sup> Streets on the north and south, Laurel Street to the east, and Kalmia Street to the west, directly west of the new Jordan Downs Phase H2A site.

The Developer will be submitting an application for 4% low income housing tax credits (“LIHTC” or “4% Credits”) and tax-exempt private activity bonds to CTCAC and CDLAC on August 8, 2022, with an expected award in November 2022. In order for the Developer to be successful in their application, CTCAC and CDLAC require 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 May 2025. The Project is also applying for funding through the State of California’s Infill Infrastructure Grant (“IIG”), Affordable Housing and Sustainable Communities (“AHSC”), and Clean California funding programs.

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

### **SOURCES:**

Conventional Perm loan	\$18,898,000
HACLA Ground Lease	\$5,000,000
HACLA gap loan	\$4,500,000
Choice Neighborhoods Grant (CNI) loan	\$3,345,900
IIG	\$7,500,000
AHSC	\$9,000,000
California Clean Funding	\$1,700,000
Developer Fee	

Deferred Fee	\$1,300,000
Developer Fee Contribution	\$7,841,829
General Partner Capital	\$100
Investor Equity (from 4% Credits)	\$37,770,819
<b>Total</b>	<b>\$96,856,648</b>

**USES:**

Acquisition	\$5,014,750
Construction Costs	\$61,183,865
Soft costs	\$14,040,687
Financing costs	\$5,275,517
Developer fee	
Cash Fee (paid through stabilization)	\$2,200,000
Deferred Fee (paid from cash flow)	\$1,300,000
Developer Fee Contribution	\$7,841,829
<b>Total</b>	<b>\$96,856,648</b>

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, RAD Use Agreement, HACLA gap loan and the related Lender and Investor documents will be presented to the Board for consideration and authorization.

The recommended actions in this report will facilitate the further development of Phase H2B 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 H2B and its Developer, Jordan Downs 3B, LP, and will provide the gap funding financial commitment required for the CDLAC/CTCAC application.

*Acquisition Loan:*

Per the MDA, HACLA intends to enter a Ground Lease with Jordan Downs Phase H2B, 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, it is recommended that HACLA commit to deferring the fair market value of the capitalized rent under the Ground Lease, currently estimated to be \$5,000,000, pursuant to a promissory note (the “Acquisition Note”). The Acquisition Note will carry a minimum 55- year term, with simple interest at 4% and would be payable from residual receipts. 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.

*HACLA  
Funding  
Commitments:*

Outside of the Acquisition Note, HACLA's financial commitment to the Developer for Jordan Downs Phase H2B includes up to \$4,500,000 for a construction and permanent loan subject to the Developer successfully obtaining an allocation of tax-exempt bonds and 4% Credits from CDLAC and CTCAC, respectively, and securing commitments from other lenders and an equity investor. These funds would be loaned to the Developer at 5% simple interest for a term of 55 years to be repaid from Project cash flow. The loan will come from non-federal and unrestricted proceeds generated by the HACLA-owned non-public housing portfolio. The gap loan is needed primarily due to increased construction costs across the board, the rising interest rate environment, and material supply chain effects.

HACLA intends to utilize approximately \$22 million of the total \$35 million CNI Grant funds for construction across various phases of the Jordan Downs redevelopment, as needed. Here, an allocation of up to \$3,345,900 from the CNI Grant funds is requested for the Project. These funds would be loaned by HACLA to the Developer at 3% simple interest for a term of 55 years to be repaid from Project cash flow.

This transaction will have a positive impact on the community, will 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.

*Affordability*

Jordan Downs Phase H2B will be comprised of 119 units of which 106 are affordable units, 12 are unrestricted market rate units, and one is an unrestricted manager's unit. Of the 106 affordable units, forty-six (46) are replacement PBVs, 15 are RAD units, all for existing Jordan Downs residents, and forty-five (45) are non-replacement PBVs. Sixty-one (61) of the Project's 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, HACLA's ground lease and other statutory or regulatory restrictions. The Developer and HACLA intend that all affordable residential units within the Project will be restricted for occupancy by households of low (up to 80% of area median income for Los Angeles County ("AMI")), very low (up to 50% of AMI) and

extremely low-income (up to 30% of AMI, and together with the low income and very low income units, the “Restricted Units”) in accordance with the following:

**Table 1**

<b>Unit Type</b>					
<b>Unit Size</b>	<b>RAD</b>	<b>PBV</b>	<b>Market rate</b>	<b>MGR</b>	<b>Total</b>
One Bedroom	3	35	5		43
Two Bedroom	4	31	4	1	40
Three Bedroom	7	24	3		34
Four Bedroom	0	1	0		1
Five Bedroom	1	0	0		1
<b>Total</b>	<b>15</b>	<b>91</b>	<b>12</b>	<b>1</b>	<b>119</b>

**Table 2**

	<b>30% AMI</b>	<b>40% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>70% AMI</b>	<b>Market Rate</b>	<b>MGR</b>	<b>Total</b>
One Bedroom	14	2	11	6	5	5		43
Two Bedroom	12	0	14	4	5	4	1	40
Three Bedroom	11	2	6	10	2	3		34
Four Bedroom	0	0	1	0	0	0		1
Five Bedroom	0	1	0	0	0	0		1
<b>Total</b>	<b>37</b>	<b>5</b>	<b>32</b>	<b>20</b>	<b>12</b>	<b>12</b>	<b>1</b>	<b>119</b>

*Rental Assistance Demonstration:*

In January 2016, HACLA 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. An application to request an additional allocation of RAD vouchers for future Jordan Downs phases was submitted and approved by HUD in June 2021 for 81 additional RAD vouchers. 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 fifteen (15) 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.

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

The development of the Project will allow for the construction of 119 new housing units, of which 61 are replacement units for the existing residents. This development will further HACLA’s goals of improving its affordable housing stock as well as improved Americans with Disabilities Act (“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:* \$4,500,000 in funds for the gap loan are available from unrestricted, uncommitted proceeds from the non-public housing portfolio. The \$3,345,900 of CNI loan funds will be funded from the CNI Grant award from HUD to HACLA.

CNI Grant Award HACLA Bridge Loan- Federal Funding	\$3,345,900
HACLA GAP Loan	\$4,500,000
Acquisition Loan / Carryback Note	\$5,000,000
<b>Total Request</b>	<b>\$12,845,900</b>

*Budget and Program Impact:* The commitment of funding the gap loan and CNI 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 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 H2B 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 H2B 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 the Los Angeles Housing Department ("LAHD") 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, HUD's Office of the Field Office Director issued approval of 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 can 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. JD Phasing map

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

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PROVIDE CONDITIONAL FINANCIAL COMMITMENTS OF A CONSTRUCTION AND PERMANENT GAP LOAN OF UP TO \$4,500,000, AN ACQUISITION LOAN OF UP TO \$5,000,000, AND A CHOICE NEIGHBORHOODS IMPLEMENTATION LOAN OF UP TO \$3,345,900 FROM HACLA TO THE JORDAN DOWNS PHASE H2B REDEVELOPMENT PROJECT FOR INCLUSION AS PART OF THE SUBMITTAL FOR TAX-EXEMPT BONDS AND FEDERAL TAX CREDIT ALLOCATIONS, AND AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A COMMITMENT LETTER TO ACCOMPANY ANTICIPATED FUNDING APPLICATIONS AND UNDERTAKE 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 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, the Housing Authority's Board of Commissioners ("Board") 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 Housing Authority 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 \$35 million 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 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 Jordan Downs Phase H2B residential project (the "Project") by Jordan Downs Jordan Downs 3B, LP ("Phase H2B Owner" or "Developer"), and meeting with the residents on progress of the redevelopment to ensure consistency and transparency;

**WHEREAS**, the Project is a residential development project comprised of 119 units of which 46 are replacement PBV units, 15 RAD units, 45 non-replacement PBV units, 12 market rate units and 1 manager's unit;

**WHEREAS**, the Housing Authority desires to commit to providing the Project with up to \$3,345,900 in gap funding from the CNI Grant contingent on final approval by HUD at the time of construction closing ("CNI Grant Loan");

**WHEREAS**, the Housing Authority desires to commit to providing the Project with a construction and permanent gap loan of up to \$4,500,000, pursuant to a promissory note (the "Gap Loan," and together with the CNI Grant Loan, "Gap Funding");

**WHEREAS**, the Housing Authority desires to commit to providing the Project with an Acquisition Loan equivalent to the appraised value of the Site and currently estimated at \$5,000,000, pursuant to a promissory note (the "Acquisition Loan,");

**WHEREAS**, the Phase H2B Owner desires to apply for 4% Low Income Housing Tax Credits 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 Gap Funding is necessary to finance the development of the Project and assure the allocation of the tax-exempt bonds and annual tax credits; 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 Area H2B 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:

- A. The President and Chief Executive Officer, or designee ("Designated Officers"), is hereby authorized to make conditional funding commitments consisting of an Acquisition Loan in an amount of at least \$5,000,000, a construction and permanent financing loan of up to \$4,500,000 and a Choice Neighborhoods Implementation Grant loan, from HACLA to the project, of up to \$3,345,900, to the Phase H2B Owner for the Jordan Downs Phase H2B redevelopment project, and is hereby authorized and directed, for and on behalf of the Housing Authority, to submit and/or execute any 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 the Housing Authority, referred to above are as follows:

<b>Name</b>	<b>Title</b>
Douglas Guthrie	President and Chief Executive Officer
Marlene Garza	Chief Administrative Officer
Jenny Scanlin	Chief Strategic Development Officer
Margarita Lares	Chief Programs Officer

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

HOUSING AUTHORITY OF THE  
CITY OF LOS ANGELES

By: \_\_\_\_\_  
Cielo Castro, Chairperson

APPROVED AS TO FORM:

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

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

# SITE MAP

