

Report of the President & CEO

December 15, 2022

RESOLUTION AUTHORIZING THE CONVERSION OF ONE HUNDRED SEVENTY (170) HUD-VASH PROJECT BASED VOUCHERS AWARDED TO TWO PROJECTS PURSUANT TO HACLA PBV NOTICE OF FUNDING AVAILABILITY HA-2016-91 TO REGULAR PROJECT BASED VOUCHERS WITH A PREFERENCE FOR VETERANS



Douglas Guthrie
President & CEO



Carlos Van Natter
Director of Section 8

Purpose: To assist in preventing two projects awarded HUD-VASH Project-based Vouchers (PBV), and estimated to open in the first quarter of 2023, from going into default due to untimely referrals of veterans for leasing by converting the awarded vouchers from HUD-VASH PBVs to regular, non HUD-VASH PBVs with a preference for veterans.

Issues: HACLA issued PBV Notice of Funding Availability (NOFA) HA-2016-91 in April 2016. Through this PBV NOFA, 500 HUD-VASH PBVS were made available and commitments were made to developers based on their capacity and experience for project sites that would be quickly acquired and requiring modest rehabilitation, similar to the current Project Homekey Program. Shangri La Construction was awarded 400 HUD-VASH PBVs and attached 202 of them to three sites: 32 to Western Avenue Apartments, 34 to the Broadway Apartments and 136 to the West Third Apartments. The projects have experienced a number of completion and lease-up delays. Originally the Shangri La projects planned to be mostly privately financed with some tax credit funding. Changes to the tax credit program caused the developer to apply to the Los Angeles Housing Department (LAHD) for Measure HHH funding. Like many others, these projects also experienced delays caused by the COVID-19 pandemic and supply chain issues. Rising costs and cost over-runs also created the need for additional public funding.

Western Avenue Apartments was the first of the motel conversion projects to be completed and executed a Housing Assistance Payment (HAP) Contract in July 2021. In the first 16 months, the building has not received a sufficient number of referrals of eligible VASH veterans from the Department of Veterans Affairs (VA) to achieve full lease-up. In addition, those veterans who have toured the project have communicated preferences for new construction, larger units, and different neighborhoods. Notwithstanding these circumstances, Shangri La Construction and their development partner, Step Up on Second, remain committed to achieving full occupancy of the Western Avenue Apartments. However, in October

2022, Shangri La notified HACLA that the Broadway Apartments and West Third Apartments projects, both of which are nearing completion, are in jeopardy of going into default. The primary investor is threatening to pull out of the projects due to missed interest payments and the lease-up struggles witnessed with the Western Avenue Apartments. If the buildings go into default, the City will lose 170 units dedicated to housing the homeless.

Shangri La has proposed shifting all HUD-VASH PBV units at the Broadway Apartments and West Third Apartments to regular, non-VASH PBVs, but retaining a preference for veterans. The conversion of the upcoming contract units to non-HUD-VASH PBV with a preference for veterans will expand the pool of eligible applicants and facilitate a more timely lease-up of the two buildings. The plan is supported by the investor, the VA, LAHD, and the Los Angeles County Health Departments, who have committed to providing supportive services for all tenants that will reside in non-HUD-VASH PBV contract units.

Current Request:

In order to prevent the projects from going into default due to untimely referrals of veterans for leasing, HACLA desires to convert the 34 HUD-VASH PBVs awarded for the Broadway Apartments and the 136 HUD-VASH PBVs awarded for the West Third Apartments to regular, non-HUD-VASH PBVs with a preference for veterans. The PBV contract units will serve homeless and chronically homeless individuals with a preference for veterans. Supportive services for all contract units will be provided by the Los Angeles County Health Departments. Accommodation of this request will help ensure 170 units of deeply affordable housing remain available for the homeless, and the programming of non-HUD-VASH PBVs for these projects is consistent with both the intent and spirit of PBV Notice of Funding Availability (NOFA) HA-2016-91, under which the original PBVs were awarded.

Vision Plan: PLACE Strategy #3: Improve and expand Section 8 program, policies and efficiencies

Accommodation of this request will help ensure 170 units of deeply affordable housing will remain available for homeless households^{[HB1][TY2]}.

PLACE Strategy #4: Steward efforts to reduce and alleviate homelessness

With Board approval, this proposal will result in the preservation of 170 housing units for homeless households by preventing two projects estimated to open in the first quarter of 2023 from going into default.

PEOPLE Strategy #9: Increase access to mental health services including peer-to-peer support

HACLA requires owners of PBV projects to provide supportive services to all PBV participants as a condition of the award of PBVs to the project, which includes access to mental health services. The Los Angeles County Health Departments have agreed to provide supportive services for the tenants that will reside in PBV units at these two sites, in lieu of the VASH supportive services.

PEOPLE Strategy #12: Improve access to physical health services

HACLA requires owners of PBV projects to provide supportive services to all PBV participants as a condition of the award of PBVs to the project, which includes access to physical health services. The Los Angeles County Health Departments have agreed to provide supportive services for the tenants that will reside in PBV units at these two sites, in lieu of the VASH supportive services.

Funding: On November 1, 2022, HACLA published its 2023 Voucher Payment Standards. There are no longer separate payment standards for PBV and VASH. Therefore, the proposed conversion of HUD-VASH PBVs to regular, non-HUD-VASH PBVs will cause no change to the Housing Assistance Payments (HAP).

Environmental Review: The environmental reviews for both projects were completed and the projects were determined by HUD to be in compliance with NEPA and CEQA prior to the execution the AHAP contracts.

Section 3: N/A.

Attachment: Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE CONVERSION OF ONE HUNDRED SEVENTY (170) HUD-VASH PROJECT BASED VOUCHERS AWARDED TO TWO PROJECTS PURSUANT TO HACLA PBV NOTICE OF FUNDING AVAILABILITY HA-2016-91 TO REGULAR PROJECT BASED VOUCHERS WITH A PREFERENCE FOR VETERANS

WHEREAS, HACLA issued PBV Notice of Funding Availability HA-2016-91, in April 2016 (NOFA), under which it awarded 400 HUD-VASH PBVs to Shangri La Construction, including 34 for the Broadway Apartments and 136 for the West Third Apartments (together, the “Projects”);

WHEREAS, for the reasons set forth in the Report of the President and CEO of the same date herewith, including the Board of Commissioners’ (“Board’s”) determination that the reprogramming of non-HUD-VASH PBVs for the Projects is consistent with both the intent and spirit of the NOFA, the Board desires to convert the 170 HUD-VASH project-based vouchers (PBVs) awarded for the Projects to non-HUD-VASH PBVs with a preference for veterans; and

WHEREAS, the Board finds that helping preserve deeply affordable housing for homeless and chronically homeless veterans and non-veterans, through the reprogramming of PBVs as contemplated herein, is in the best interest of HACLA, consistent with HACLA’s Administrative Plan, and HACLA’s mission.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby authorizes the conversion of the HUD-VASH-PBVs awarded for the Broadway Apartments and West Third Apartments to regular PBVs with a preference for veterans, and the undertaking of all actions reasonably necessary to effectuate the conversion.

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: _____