HOUSING AUTHORITY
of the County of Los Angeles
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December 15, 2009

ADOPTED
BOARD OF COMMISSIONERS
HOUSING AUTHORITY

1-H DECEMBER 15, 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

APPROVE THE USE OF CITY OF INDUSTRY FUNDS FOR CONTINUED VIABILITY OF FOUR AFFORDABLE HOUSING DEVELOPMENTS IN UNINCORPORATED AREAS OF THE COUNTY (DISTRICTS 1, 2, 4) (3 VOTE)

SUBJECT

This letter recommends allocating a total of $3,888,000 in City of Industry Redevelopment funds to provide interim and permanent loans to ensure the continued viability of four affordable housing developments: Slauson Station in unincorporated Florence-Firestone, Mason Court in unincorporated Willowbrook, Coteau III in unincorporated South Whittier, and 105th & Normandie Seniors in unincorporated West Athens/Westmont. The slow disbursement of funds from the State of California and reduction in federal tax credit pricing has created additional holding costs for the developers. As a result, more funds are needed to ensure the completion of the developments. These four developments have received Industry funds in the past through the Notice of Funding Availability jointly issued by the Housing Authority and the Community Development Commission. The Housing Authority and the Community Development Commission have preexisting Board-approved Loan Agreements with the respective developers of these projects, and the proposed actions would amend these Loan Agreements to provide additional City of Industry Redevelopment funds.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Authorize the Executive Director to use City of Industry Redevelopment (Industry) funds in the amount of up to $3,888,000 for the purpose of providing additional interim and/or permanent loans to ensure the continued viability of four affordable housing developments in the unincorporated County.

2. Approve allocation of Industry funds for Slauson Station Apartments, L.P. for up to $990,000; Normandie Senior Housing Partners, L.P. for up to $1,100,000; Beyond Shelter Housing Development Corporation for up to $900,000; and Los Angeles Housing Development Corporation - I for up to $250,000.

3. Authorize the Executive Director set aside an additional $648,000 in Industry Funds, which may be allocated as needed to pay for additional costs for any of the four developments.

4. Authorize the Executive Director to incorporate up to $3,888,000 in Industry funds into the Housing Authority's approved Fiscal Year 2009-2010 budget for the purposes described above.

5. Authorize the Executive Director to negotiate and execute amendments to the Loan Agreement and all related documents with Los Angeles Housing Development Corporation, following approval as to form by County Counsel.

6. Find that amending the Loan Agreement and all related documents to provide additional Industry funds is not subject to the California Environmental Quality Act (CEQA) because the proposed activity is not defined as a project under CEQA and will not have the potential for causing a significant effect on the environment.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Authorize the Executive Director to negotiate and execute amendments to the Loan Agreements and all related documents with Slauson Station Apartments, L.P., for up to $990,000; Normandie Senior Housing Partners, L.P., for up to $1,100,000; and Beyond Shelter Housing Development Corporation for up to $900,000 to reflect the additional City of Industry Redevelopment (Industry) funds, following approval as to form by County Counsel.

2. Find that amending the Loan Agreements and all related documents to provide additional Industry funds is not subject to the California Environmental Quality Act (CEQA) because the proposed activity is not defined as a project under CEQA and will not have the potential for causing a significant effect on the environment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to ensure the continued viability of four affordable housing developments that are currently under development in unincorporated areas of the County of Los Angeles. Each development has been approved by your Board and the developers have entered into Loan Agreements with the Housing Authority and/or the Community Development Commission. The current economic crisis has had an unexpected and severe impact on the development of affordable housing, and the proposed fund will provide resources to mitigate shortfalls in local, state and federal funding, as described below.

State Funds

The slow disbursal of funds made available through the State of California bond-based affordable housing programs has delayed the development of affordable housing. The slow pace of bond sales by the state has generated temporary funding shortfalls that have negatively impacted the completion of housing currently in development. These shortfalls or "gaps" now prohibit the developments from moving forward in a timely fashion.

The proposed interim use of Industry funds will fill these "gaps" mitigating the temporary funding shortfalls. When the state funds are disbursed, developers will be required to repay the Housing Authority. In the event that state funds are not forthcoming, the interim funds will become additional permanent financing.

Federal Low Income Housing Tax Credits (Tax Credits)

The sales of Tax Credits have slowed and a reduction in the price of the credits used to generate equity investments in low-income housing developments have been reduced by as much as 25%. The reduction in Tax Credit prices has reduced the amount of equity investment that can be solicited for developments and generates the need for additional subsidy.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund.

The Industry funds will provide up to $3,240,000 for interim and permanent financing. These funds will be incorporated into the Housing Authority's approved Fiscal Year 2009-2010 Budget.

Attachment A contains a breakdown of the total amount of committed funding for each project. The funding analyses and subsidy determinations were conducted by an outside consultant.

An additional $648,000, or 20% of the total committed Industry funds, is being set aside for use as needed, should additional costs arise. These supplementary funds will be used for the four identified developments only. These funds will be incorporated, as needed, into the Housing Authority's approved Fiscal Year 2009-2010 Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On September 14, 2004, the Board of Commissioners of the Community Development Commission approved an allocation of HOME funds for Mason Court, a 12-unit development for homeless persons.

On May 2, 2006, the Board of Commissioners of the Community Development Commission approved an allocation of Home Investment Partnerships Program (HOME) funds for Slauson Station, a 30-unit multifamily development.

Subsequent to the actions above, on July 3, 2007, the Board of Commissioners of the Housing Authority approved an allocation of Industry funds for Slauson Station and Mason Court. The recommended actions would provide for up to $990,000 in Industry funds to the Slauson Station project and for up to $900,000 in Industry funds to the Mason Court project.

On July 3, 2007, the Board of Commissioners of the Housing Authority and the Community Development Commission concurrently approved an allocation of Industry funds and HOME funds, for Coteau III, a six-unit development for Transition Age Youth. The recommended actions would provide for up to $250,000 in Industry funds to the Coteau III project.

On February 19, 2008, the Board of Commissioners of the Community Development Commission approved an allocation of HOME funds for 105th & Normandie, a 62-unit senior development. Subsequently, on July 15, 2008 the Board of Commissioners of the Housing Authority approved an allocation of Industry funds for this project. The recommended action would provide for up to $1,100,000 in Industry funds to the 105th & Normandie project.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. These activities are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15060(c)(3) and 15378(b), subsection (5) because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROJECTS

The proposed action will increase and sustain the supply of affordable housing in the County.

Respectfully submitted,

SEAN ROGAN
Executive Director

cc: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors

Attachment

SR:bb

DEVELOPMENTS REQUIRING ADDITIONAL FUNDING (INDUSTRY FUNDS)

Sup. Dist.	Name	No. of Units	Total Development Cost	Total of HOME, CDBG and/or Industry funds committed	Additional Funds or Interim or Perm. Funding for 1-C or MHP Funds
1	Slauson Station	30	$9,634,610	$2,187,671	$990,000
2	105th & Normandie Srs.	62	$21,204,029	$7,153,300	$1,100,000
2	Mason Court	12	$4,066,287	$2,068,180	$900,000
4	Coteau III	6	$1,982,322	$1,830,172	$250,000
			$36,887,248	$13,239,323	**$3,240,000**
	Supplementary funds				$648,000
	Total				**$3,888,000**