



March 07, 2023

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

Dear Commissioners:

**APPROVE GAP FINANCING FOR TWO PROJECTS LOCATED IN THE CITY OF LOS ANGELES,
AND APPROVE FUNDING AND ENVIRONMENTAL DOCUMENTATION FOR ONE MULTIFAMILY
AFFORDABLE HOUSING DEVELOPMENT LOCATED IN THE CITIES OF LOS ANGELES AND
WEST HOLLYWOOD
(DISTRICTS 1, 3, 4)**

SUBJECT

This letter recommends that the Board approve increases to approved loan amounts, totaling up to \$2,000,000 for two affordable multifamily rental housing developments funded by the Los Angeles County Development Authority (LACDA), which require additional funding due to financing gaps, and to use Affordable Housing Trust funds (AHTF) for this purpose. Additionally, this letter recommends that the Board approve a loan up to \$3,360,000 to fund the development of one affordable multifamily rental housing development selected through the Notice of Funding (NOFA) Round 27.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve increased loan amounts to the recommended developers identified in Attachment A, in an aggregate amount of up to \$2,000,000 in AHTF.
2. Approve a loan to the recommended developer identified in Attachment A, using up to a total of \$3,360,000 in AHTF.
3. Acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA), certify that the LACDA has considered the attached exemption determination for the Detroit Street Apartments project prepared by the City of West Hollywood as lead agency; and find that this project will not cause a significant impact on the environment.

4. Authorize the Executive Director or his designee to incorporate, as needed, up to \$5,360,000 in AHTF into the LACDA's approved Fiscal Year 2022-2023 budget, and future Fiscal Year budgets, as needed, for the purposes described herein.

5. Authorize the Executive Director or his designee to reallocate the LACDA funding set aside for affordable housing at the time of project funding, as needed and within each project's approved funding limit, in line with each project's needs, and within the requirements for each funding source.

6. Authorize the Executive Director or his designee, to negotiate, execute, and if necessary, amend, or reduce the loan agreements with the recommended developers identified in Attachment A, or their LACDA-approved assignees, and all related documents, including but not limited to documents to subordinate the loans to construction and permanent financing, and any intergovernmental, interagency, or inter-creditor agreements necessary for the implementation of each development, following approval as to form by County Counsel.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The two projects seeking additional funding through this action, Third Thyme and 26 Point 2, are affordable multifamily rental housing developments that will provide a total of 181 affordable housing units. As a result of current adverse economic conditions affecting labor, materials, and the cost of construction and permanent financing from private lending institutions, two projects previously approved for funding are experiencing project financing gaps in an aggregate amount of \$2,000,000. Additional funding is needed to ensure the projects, which are identified in Attachment A, can close construction financing or complete construction. The LACDA is recommending approval of the funding increases and authority to amend existing loan documents, as needed, for the identified developments.

As a result of NOFA Round 27, a total of 14 projects were selected for AHTF and federal HOME Investment Partnerships Program (HOME) funding. Funding for NOFA Round 27 included \$59.8 million in AHTF and \$7 million in HOME funds. The total NOFA Round 27 funding requests exceeded available funds by approximately \$83 million.

One NOFA applicant, EAH, Inc., submitted three projects during NOFA 27 and was awarded funds for two out of the three projects: Martel and 2052 Lake Avenue. EAH's third project, Detroit Street Apartments, qualified for an award, however, due to NOFA guidelines, EAH could not be awarded funding for more than two projects through the NOFA. EAH, Inc. is now requesting to replace the Martel project, which received the NOFA 27 award, for the Detroit Street Apartments project, which qualified for funding, but was not awarded based on NOFA regulations. This request is based on project readiness, as the Detroit Street Apartments project can move towards construction faster than the Martel project.

The Detroit Street Apartments project is requesting \$3,360,000 in AHTF, which is \$260,000 less than the approved \$3,620,000 in AHTF for the Martel project. The LACDA is recommending the Detroit Street Apartments project to replace the Martel project, for an award of \$3,360,000 in AHTF funds

The Detroit Street Apartments project will provide a total of 48 housing units, comprised of 23 units for low-income families, 24 units for homeless persons with mental illness, and one onsite manager's unit.

Approval is requested to ensure that the housing development projects identified in Attachment A move towards successful completion and occupancy.

FISCAL IMPACT/FINANCING

The recommended increase in loan amounts to the developers identified in Attachment A will use a total amount of \$2,000,000 in AHTF. The recommended project, Detroit Streets Apartments is requesting \$3,360,000 in AHTF, \$260,000 less than the funding approved for the previous project, Martel. This amount will be incorporated into the LACDA's approved Fiscal Year 2022-2023 budget, and future Fiscal Year budgets, as needed, for the purposes described herein.

The recommended loan amounts are identified in Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The identified developments were previously approved for funding as follows: Third Thyme on June 14, 2022, through NOFA Round 27, and 26 Point 2 on May 4, 2021, through NOFA Round 26. Third Thyme has a readiness deadline of April 10, 2023, and is set to begin construction later that month, but lacks sufficient funding to do so. The City of Los Angeles is increasing their HHH loan amount to assist in the projected funding gap. 26 Point 2 is 44% into construction but lacks sufficient funds to complete construction. The developer for 26 Point 2, Excelerate Housing Group, LLC., is also requesting additional funds from the City of Long Beach, loan fee waivers from the construction lender, and additional equity from their investor and general partner.

The loan agreements and related documents will incorporate affordability restrictions, target assisted populations, and contain provisions requiring the developers to comply with all applicable federal, state, and local laws. Each loan will be evidenced by a promissory note and secured by a deed of trust, with the term of affordability enforced by a recorded regulatory agreement.

The loan agreements and related documents for these projects will reflect the respective tenant population set-asides and indicate that the assisted units will be affordable to households earning no more than 30% of the median income for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as established by the U.S. Department of Housing and Urban Development. The loan agreements will require that the affordable housing units be set aside for a period of 55 years. Subject to various underwriting requirements, the developers may be required by the LACDA or other lenders to create a single asset entity to designate ownership of the project. These "assignees" will be LACDA-approved single asset entities created by the developers prior to execution of the loan agreements and all related loan documents.

This letter recommends that the Executive Director, upon approval by County Counsel, have the authority to execute and amend loan agreements, as needed, with the recommended developers. Amendments may be necessary in cases where project specifics change after execution of the loan agreement.

The recommended authority to reduce any loan below the amounts stated in this action is requested in cases where the financing shows the maximum loan amount is not needed by the project. In this case, any reduction in a loan amount would occur during project underwriting and would take place prior to execution of any loan agreement.

This letter also recommends that the Executive Director have the authority to reallocate funds set

aside for affordable housing development at the time of project funding to better align project funds with available resources. Any reallocation of funds will be made within each project's approved funding limit, in line with project needs, and within the requirements for each funding source.

ENVIRONMENTAL DOCUMENTATION

The proposed projects identified in Attachment A have been reviewed by the LACDA pursuant to the requirements of CEQA.

The Third Thyme project was determined ministerially exempt from CEQA by the City of Los Angeles in accordance with CEQA Statute Section 21080(b)(1) and Government Code Section 65651. Acting as a responsible agency pursuant to CEQA, on June 14, 2022, the Board certified that the LACDA considered the ministerial exemption and found that this project will not cause a significant impact on the environment.

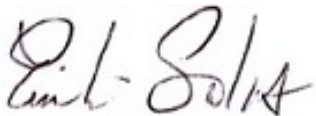
The 26 Point 2 project was determined statutorily exempt from the requirements of CEQA by the City of Long Beach in accordance with CEQA Guidelines Sections 15194 and 15195. Acting as a responsible agency pursuant to the CEQA, on May 4, 2021, the Board certified that the LACDA considered the exemption determination and found that this project will cause a significant impact on the environment.

The Detroit Street Apartments project was determined categorically exempt from CEQA by the City of West Hollywood in accordance with CEQA Guidelines section 15332. The LACDA's consideration of this determination satisfies the requirements of CEQA.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The requested actions will provide needed financing to the identified projects and will increase the supply of Special Needs and affordable housing units in the County of Los Angeles.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Emilio Salas".

Emilio Salas

Executive Director

ES:LK:ML:BL

Enclosures

ATTACHMENT A
PROJECTS RECOMMENDED GAP FUNDING & APPROVAL

						Original Funding Amounts		Additional Funding Requested	Total LACDA Funding
Sup. Dist.	Jurisdiction	Development/ Applicant	Status	Type of Housing	Total Project Units	AHTF	Total LACDA Funding	AHTF	
1	Los Angeles	Third Thyme/ West Hollywood Community Housing Corporation	Start Construction May 2023	Special Needs	104	\$3,000,000	\$3,000,000	\$1,000,000	\$4,000,000
4	Los Angeles	26 Point 2/ Excelerate	Construction	Special Needs	77	\$5,000,000	\$5,000,000	\$1,000,000	\$6,000,000
3	West Hollywood	Detroit Street Apartments/ EAH, Inc.	Predevelopment	Special Needs	48	\$3,360,000	\$3,360,000	\$0	\$3,360,000
				Totals	229	\$11,360,000	\$11,360,000	\$2,000,000	\$13,360,000

Note: Request for gap funding equals \$2,000,000.

Notice of Exemption**Appendix E**

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk

County of: _____

From: (Public Agency): _____

(Address)

Project Title: _____

Project Applicant: _____

Project Location - Specific:

Project Location - City: _____ Project Location - County: _____

Description of Nature, Purpose and Beneficiaries of Project:

Name of Public Agency Approving Project: _____

Name of Person or Agency Carrying Out Project: _____

Exempt Status: **(check one):**

☐ Ministerial (Sec. 21080(b)(1); 15268);

☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));

☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));

☒ Categorical Exemption. State type and section number: _____

☐ Statutory Exemptions. State code number: _____

Reasons why project is exempt:

Lead Agency

Contact Person: _____ Area Code/Telephone/Extension: _____

If filed by applicant:

1. Attach certified document of exemption finding.

2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: _____ Date: _____ Title: _____

Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____