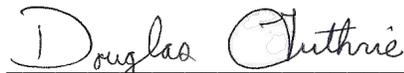


RESOLUTION TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO SUBMIT MULTIPLE APPLICATIONS TO THE STATE OF CALIFORNIA'S HOMEKEY PROGRAM ON ITS OWN BEHALF AS WELL AS IN COLLABORATION WITH THE CITY OF LOS ANGELES TO FURTHER THE GOAL OF EXPANDING OPTIONS FOR DEEPLY AFFORDABLE PERMANENT AND INTERIM HOUSING SOLUTIONS IN THE CITY OF LOS ANGELES AND TO AUTHORIZE THE PRESIDENT AND CEO, OR DESIGNEE, TO PROCURE AND COMMIT RESOURCES, EXECUTE RELATED DOCUMENTS AND AGREEMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH



Douglas Guthrie
President & Chief Executive Officer



Jenny Scanlin
Chief Development Officer

Purpose: To allow the Housing Authority of the City of Los Angeles (“HACLA”) to apply for a unique grant opportunity from the State of California to acquire property to rapidly sustain and expand housing for persons experiencing or at risk of homelessness. None of the authorizations requested remove the requirement for all acquisitions to be brought before the Board of Commissioners (“Board”) for future consideration.

Regarding: Approval of this Resolution is consistent with Resolutions 9588, 9589 and 9590 adopted by the Board of Commissioners on April 23, 2020 approving the revised Acquisition and Disposition of Real Property Policy; authorizing internal resources up to \$6 million for the Acquisition Program to be used for due diligence, closing costs, minor property repairs and equity for acquisition; establishing a revolving line of credit up to \$50,000,000 with City National Bank (amended by Resolution 9625); and providing authority to accept grants from private and public sources to facilitate property acquisition.

Prior related actions of this Board can be found in Resolution No.9613, adopted by the Board on July 30, 2020, authorizing HACLA’s submittal of its first round of 16 applications to the State’s Housing and Community Development (“HCD”) Department’s initial HomeKey Program Notice of Funding Availability in August 2020 on its own behalf, as well as in collaboration with the City of Los Angeles (“City”), of which 15 were successful in receiving Homekey funding.

Issues: In January of this year, the Governor of California announced his budget for FY2021-2022 which included a new infusion of \$750 million to extend the State’s successful Homekey Program. On May 11, 2021 the Governor discussed his \$100 billion California Come Back Plan, aimed at addressing five of the State’s biggest challenges and included a proposal for an additional \$8 billion for Homekey with a focus on converting existing buildings into housing for the homeless. This enormous infusion of potential capital and operating funding is proposed to come from the State’s estimated \$76 million budget surplus and \$27 billion from the federal government’s latest coronavirus spending bill. Although this proposed budget still needs to be vetted and approved by the State’s legislature, there is much expectation that at least some amount of funding will be

approved and made available by HCD through a new Notice of Funding Availability (“NOFA”) for the Homekey Program in July or August of this year.

New guidelines for the Homekey Program have not been made available, but HCD has held numerous conversations with participating jurisdictions from the 2020 Homekey round and has indicated they will maintain many of the same targets and approach as the original NOFA. If funding from the federal coronavirus relief bill is utilized, it is expected that the Homekey Program will still be focused on producing more permanent housing solutions for residents impacted by COVID-19 as well as targeting people specifically experiencing homelessness or at risk of experiencing homelessness as defined in Section 578.3 of Title 24 of the Code of Federal Regulations. A priority focus of the original NOFA on strategies of acquisition and occupancy of units for permanent housing is expected to remain in place although the guidelines are expected to also allow for interim housing solutions as well as alternate means of targeting units, such as purchasing affordability covenants, converting motel units into residential housing or master leasing properties. The prior NOFA required jurisdictions to only submit “ready” projects that could meet expedited expenditure requirements. Applications are expected to continue to be prioritized in a “First Come First Served” order, meaning the highest priority and points will normally go to applications that are submitted within a short period of the NOFA’s release. Additional elements of the NOFA which are expected to remain are the prioritization of projects that can meet occupancy or partial occupancy requirements in a short period of time and have a clear path for conversion to permanent housing or a connection through the Continuum of Care program that demonstrates a coordinated exit strategy for occupants.

Given the existing tight housing market in Los Angeles, the pool of properties meeting these requirements and priced within a range that creates financial feasibility from a debt and operations perspective is limited. However, HACLA has been tracking properties since January and has identified a number of properties that appear to meet underwriting criteria and expected program requirements. In order to be prepared for the swift turnaround of applications which was a hallmark of the original Homekey Program, HACLA and City of Los Angeles must issue Letters of Intent to secure properties now even though the schedule for NOFA release and actual award dates are still not known. This uncertainty around award timing and selection will require all contracts to build in longer option periods which goes against current market trends in property acquisition with sellers requesting consummation of closing within thirty to sixty days of buyer’s due diligence release. HACLA will push to keep good faith deposits as low as possible but may need to agree to limited releases of non-refundable deposit in order to hold properties for longer periods of time to meet extended closing periods.

The prior Homekey Program provided up to \$200,000 per unit for acquisition costs, with the first \$100,000 not requiring a local match; the next \$50,000 requiring a one-for-one match; and the last \$50,000 requiring a two-for-one match. Therefore, any project needing the full \$200,000 was required to demonstrate a local match equal to \$150,000. The example below illustrates the benefit to the Project Homekey funding based on a variety of potential purchase prices.

	All-In Cost per Unit			
	\$ 200,000	\$ 250,000	\$ 300,000	\$ 350,000
Sources				
Homekey	\$ 150,000	\$ 166,500	\$ 183,000	\$ 199,950
HACLA/L.A. City	\$ 50,000	\$ 83,500	\$ 117,000	\$ 150,050

There is hope that jurisdictions with higher housing costs may be provided with higher allocations on a per unit basis in this next round of Homekey; however, even with higher Homekey contributions, both HACLA and the City can expect continued match requirements in order to successfully access the grant funds. The program is expected to also require HACLA and the City of Los Angeles to guarantee operations, typically demonstrated with either a five-year commitment to covering interim housing service and management costs or the commitment of long-term rent subsidies.

HACLA's available resources for acquisition previously approved by the Board, including the City National Revolving Line of Credit and cash amounting to \$6 million are anticipated to be a reasonable source to close acquisitions and cover associated rehabilitation of properties purchased. However, staff are soliciting new sources for debt and credit with the intention of having at least \$60 million in available capital to draw on. Based on current assessments of market pricing and availability, HACLA has the existing financial match capacity to acquire over 300 units of housing through Homekey and request approximately \$60 million in capital assistance from Homekey for its own portfolio. Any equity HACLA contributes for project-related costs will act as soft debt and will be paid from the property out of 100% of profit received on an annual basis after all hard debt, operating, capital and reserve expenses are paid in full. The ability to purchase these properties will depend on the availability of rent subsidy and operation cost coverage which will require access to project-based vouchers or some other means to subsidize the extremely low-income units required by Homekey. The State is expected to offer operation subsidies of \$1,000 per unit per month for up to 24-months which can assist with cost coverage during lease up and address the higher service cost requirements associated with serving this population.

Properties acquired as part of HACLA's portfolio will be put into HACLA's Asset Management portfolio and HACLA will use its existing contracts with third party management companies to initiate on-site management. HACLA will also use its existing contracts and memorandums of understanding with service providers and the County Departments of Health and Mental Health Services to ensure appropriate services and systems of care are available to residents.

Identifying properties suitable for Project Homekey requires due diligence activities including title review, property needs assessments ("PNAs"), Phase I and Phase II environmental studies, and securing appraisals. In addition, architects and engineers are required to assist with the conversion of hotels into suitable living environments with kitchenettes and to ensure ADA compliance in both those units and others so that permit-ready plans can be secured immediately upon the close of each property's escrow. As detailed during the January 28, 2021 Board of Commissioner Meeting, HACLA's Architects and Engineering ("A&E") panel was used quite successfully to secure many of the services needed. Non A&E services such as PNAs and appraisals were secured through other procurement methods under the Contracting Officer's \$250,000 in contracting authority. All expenses incurred from vendors for City of Los Angeles Homekey properties were reimbursed to HACLA by the City.

Staff believe current and pending contracts should be sufficient to meet our services needs for the next round of Project Homekey. However, in recognition of the deadlines for performance and related time constraints, staff request that the Board of Commissioners authorize the President and CEO, or designee, to award and execute any additional contracts that may be required provided such contracts are procured in accordance with all applicable state and federal procurements requirements and HACLA's Procurement Policy. Similar Board authority was provided for CARES Act funding and allowed for expedited procurement where similar time constraints were involved.

The resolution adopted in connection with this report is intended to provide the authorities and approvals necessary to allow HACLA to submit applications for Homekey funding for itself and on behalf of the City of Los Angeles. Specific property acquisitions will be brought to the Board for approval in future meetings contingent on receipt of Homekey funds and acceptance of all terms of purchase as set forth in purchase and sale agreements. Properties being purchased with match funds provided by the City of Los Angeles will also receive any required City approvals prior to purchase.

*City
Partnership*

HACLA's mission is to create deeply affordable housing. Through Project Homekey, HACLA intends to work collaboratively with the City on any applications for funding for the Homekey Program. To this end, HACLA will work with the City to identify the municipality's highest housing needs and appropriate properties and solutions for the Homekey funding. All applications will be vetted with the Mayor's office and the respective council offices where the properties are located prior to submission to ensure there is policy consensus and community support for each application. Additionally, the City and HACLA will enter into a Professional Services Agreement allowing HACLA to act on behalf of the City to negotiate and acquire properties including completing all due diligence and escrow requirements on the City's behalf and making all purchase deposits, including up to \$250,000 in non-refundable deposits per property, as necessary. Any deposits issued for City match funded properties will be fully reimbursed by the City through the Professional Services Agreement. The City intends to provide additional local match fund commitments to expand the reach of the City and HACLA's combined ability to acquire properties to serve as permanent and interim housing in Los Angeles. The properties purchased on behalf of the City are expected to ultimately transfer to private operators selected by the City through a competitive procurement. The City will be responsible for providing capital and operating match requirements for all of the properties acquired by HACLA on its behalf as well as reimbursing HACLA for all third-party and escrow closing costs. Under the Professional Services Agreement, HACLA will manage and provide upfront cost coverage for consultants, due diligence and pre-purchase activities and will receive an administrative fee for services from the City based on a minimum of two (2) percent of total project cost.

HACLA and the City of Los Angeles will also enter into an Asset Management Agreement allowing HACLA or any of its instrumentalities to temporarily operate properties acquired on behalf of the City or by the City in relation to the Homekey Program. This provides flexibility to the City to acquire sites early, utilize HACLA to secure and manage properties on its behalf, manage post-acquisition contracts for additional studies, environmental and/or architectural and permitting work. HACLA will charge a monthly fee for service for such Asset Management activities and invoice the City for all third-party maintenance, management and oversight costs, including any related insurance coverage.

The City may determine through various actions of their own how much capital and operating match they can commit to this next round of the Homekey Program. Based on the 2020 Homekey Program, the City and HACLA were able to obtain \$120.4 million in State Homekey funds; drawing upon \$30 million in HACLA capital match and \$94 million in City capital match for a total acquisition cost of \$244 million. The resolution proposed for adoption by the Board assumes the City may be able to provide up to \$100 million in capital match towards Homekey in addition to HACLA’s proposed \$60 million in capital match. This is not based on current City actions but is a projection that allows flexibility for HACLA to move with expediency on applications as the current date for the NOFA release is still unknown. Given that this next round of Homekey funding from the State is expected to be larger than the 2020 round, HACLA staff seeks authority to submit a series of applications to draw on up to \$220 million in Homekey funding with total acquisition costs between \$320 and \$380 million.

Vision Plan: Place Strategy 2.3 – Increase Functionality and effectiveness of Asset Management Portfolio. This strategy focusses on the strategic directive of HACLA to acquire real property to diversify the housing portfolio and increase the supply of deeply affordable housing within the City of Los Angeles.

Place Strategy 3 - Improve and expand Section 8 program, policies, and efficiencies. This strategy involves the acquisition of property for the purpose of a larger variety of readily available housing units that are anticipated to serve Section 8 Voucher participants.

Place Strategy 4 – Steward efforts to reduce or eliminate homelessness. With a specific focus on housing for the unhoused, HACLA’s participation in Project Homekey creates permanent housing solutions for residents most in need.

Funding: The Chief Administrative Officer confirms the following funding to be available to cover all match requirements:

Source of Funds: Proceeds from the Non-Public Housing Portfolio have been previously authorized and are available for the Authority’s Acquisition Program:

Soft Funding Costs	Authorized Funds
HACLA Equity Investment (Revolving Fund)	\$ 5,000,000
Due Diligence/Closing Costs	\$ 500,000
Property Improvement Fund	\$ 500,000

Additionally, HACLA has approved the establishment of a Revolving Line of Credit Facility with City National Bank with a maximum revolving commitment of \$50,000,000. These sources will be used for the HACLA acquisitions.

For the City acquisitions, HACLA will utilize unrestricted Central Office funds to temporarily cover due diligence and closing costs, pending reimbursement from the City. HACLA anticipates that the majority of these short-term expenditures will be repaid from the City within three to six months of initial expenditure.

HACLA is currently soliciting traditional lenders and investors for a new revolving line of credit fund with improved terms as well as other construction or permanent debt at

competitive pricing specifically for Homekey-purchased properties, which carry a lower than usual loan to value as a result of the infusion of grant funds.

The Homekey Program is anticipated to provide up to \$200,000 in grant funding per unit which can serve the program's Target Population as permanent or interim housing and up to \$1,000 per unit per month for up to twenty-four months in operating subsidy.

Budget and Program Impact: Properties are being underwritten to ensure that ongoing operations, capital investments and debt service of acquired assets can be covered with available state and local subsidies, project-based vouchers, and tenant rents. The acquisitions must meet underwriting standards of HACLA's Acquisition Program.

Environmental

Review: Minor rehabilitation of existing buildings and the acquisition of property are all exempt activities under CEQA. The primary source of funding for Homekey, Coronavirus Relief Funds are federal funds and therefore requires NEPA review. Acquisition is not an exempted activity under NEPA and HACLA staff will ensure the completion of all necessary environmental assessments prior to the Board of Commissioner's approval of any final acquisition terms and closing escrow on any property.

Section 3: Not Applicable

Attachments: Resolution

RESOLUTION NO. _____

RESOLUTION TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO SUBMIT MULTIPLE APPLICATIONS TO THE STATE OF CALIFORNIA'S HOMEKEY PROGRAM ON ITS OWN BEHALF AS WELL AS IN COLLABORATION WITH THE CITY OF LOS ANGELES TO FURTHER THE GOAL OF EXPANDING OPTIONS FOR DEEPLY AFFORDABLE PERMANENT AND INTERIM HOUSING SOLUTIONS IN THE CITY OF LOS ANGELES AND TO AUTHORIZE THE PRESIDENT AND CEO, OR DESIGNEE, TO PROCURE AND COMMIT RESOURCES, EXECUTE RELATED DOCUMENTS AND AGREEMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority of the City of Los Angeles ("HACLA") is authorized to acquire and dispose of real property and enter into contracts and agreements related thereto pursuant to the California Health and Safety Code Section 34200 *et seq.* and particularly with respect to Section 34315;

WHEREAS, the Housing Authority Board of Commissioners ("Board") adopted the Policy Guidelines for the Acquisition of Real Property by Resolution No. 8582 on February 20, 2008, as amended by Resolution No. 8628, on July 23, 2008, (the "Prior Policy") which set forth the policy and guidelines for the acquisition of real property for the Housing Authority;

WHEREAS, HACLA has adopted by Resolution 9587, on April 23, 2020, an Acquisition and Disposition of Real Property Policy (the "Policy") to institute a revised and updated real property acquisition program ("Acquisition Program") and to revise and restate its Prior Policy to reflect HACLA's Build HOPE Vision Plan goals and to provide for the disposition of real property;

WHEREAS, during this long-standing affordable housing crisis, unique new sources of grant funds may be available through both public and private sources which provide opportunities to further HACLA's mission;

WHEREAS, it is anticipated that the State's Department of Housing and Community Development ("HCD") will issue a Notice of Funding Availability ("NOFA") sometime in the next few months for the Homekey Program ("Homekey") which will include grant funds from the State of California and the federal government;

WHEREAS, HACLA desires to submit multiple applications for Homekey grant funds and requires the Board's authority to submit such applications to HCD for its review and consideration, on its own behalf and in cooperation as a potential co-applicant with the City of Los Angeles;

WHEREAS, HCD is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code) and Homekey funding allocations will be subject to the terms and conditions of the NOFA, the Application, the HCD-approved STD 213, Standard Agreement ("Standard Agreement"), and all other legal requirements of the Homekey Program;

WHEREAS, HACLA and its staff, along with legal counsel, will review the NOFA and all other program requirements made available by HCD prior to submitting applications and intends to only submit applications under the NOFA that include terms and conditions that HACLA can reasonably comply with;

WHEREAS, HACLA understands that part of funding made available is expected to be connected to the federal and state response to COVID-19, and is derived from the state's direct allocation of federal Coronavirus Economic Relief funds as well as State General Funds and that both funds have expedited expenditure requirements;

WHEREAS, the Board desires to expedite the procurement of any services that may be required in order to successfully acquire and entitle properties for Homekey by delegating to the President and CEO, or designee, the authority to procure and execute contracts for any needed services in compliance with all applicable state and federal procurement requirements and HACLA's Procurement Policy;

WHEREAS, HACLA is uniquely positioned with over eighty years of experience in the acquisition, development and management of affordable properties in the City of Los Angeles and desires to meet its acquisition goals in a manner that is fiscally sound;

WHEREAS, staff will return to the Board for approval of all final terms of any and all property acquisitions before the close of escrow; and

WHEREAS, the President and CEO shall ensure compliance with any requirements, provisions and restrictions set forth in HCD's grant documents and will ensure such programs, grants or donations are aligned with the mission of HACLA.

NOW, THEREFORE, BE IT RESOLVED The recitals hereinabove set forth are true and correct, and this Board of Commissioners so finds. This Resolution is being adopted pursuant to the powers granted the Authority by Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code;

BE IT FURTHER RESOLVED that the Board of Commissioners hereby authorizes and directs the submittal of multiple applications to HCD both on its own behalf and in collaboration with the City of Los Angeles in response to an upcoming 2021 NOFA and to apply for Homekey grant funds in a total amount not to exceed \$250,000,000. That amount includes \$220,000,000 for capital expenditures (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(1)-(6)) and \$30,000,000 for a capitalized operating subsidy (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(7));

BE IT FURTHER RESOLVED that if HACLA's applications are approved, the President and CEO, or his designee, is authorized and directed to ensure that any funds awarded for capital expenditures or capitalized operating subsidies are spent by the required date in the NOFA;

BE IT FURTHER RESOLVED that if any application for Homekey funding is approved, the President and CEO, or his designee, is hereby authorized and directed to enter into, execute, and deliver one or more Standard Agreements, both on its own behalf and in collaboration with the City of Los Angeles, which Agreements in a total aggregate amount shall not to exceed \$250,000,000, and any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from HCD and participate in the Homekey Program, and all amendments thereto (collectively, the "Homekey Documents");

BE IT FURTHER RESOLVED that HACLA and its Board of Commissioners acknowledge and agree that HACLA shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application will be enforceable through the Standard Agreement and funds are to be used for the allowable expenditures and activities identified in the Standard Agreement;

BE IT FURTHER RESOLVED that Douglas Guthrie, as President and CEO of HACLA, or his designee, is authorized to execute all applications and related certificates for Homekey funding and the Homekey Documents on behalf of HACLA for participation in the Homekey Program, as long as all contracts and agreements have been approved by legal counsel;

BE IT FURTHER RESOLVED that the President and CEO, or his designee, is authorized to enter into a Memorandum of Agreement (“MOA”) with the City of Los Angeles with review and concurrence of HACLA legal counsel, to collaborate with the City and apply jointly or on behalf of the City for Homekey funding, accept funding from the City up to \$110 million and additional annual operating subsidy as available to meet local match requirements of the Homekey grant and to utilize such match in line with all terms and conditions of the MOA for costs of acquisition, rehabilitation or operations as specified in such MOA;

BE IT FURTHER RESOLVED that the President and CEO, or his designee, is authorized take any actions and execute any related documents, agreements or contracts as authorized by and consistent with this resolution and the Policy and as approved by legal counsel;

BE IT FURTHER RESOLVED that the Board of Commissioners authorizes the President & CEO, or designee, to award and execute contracts for services required for Homekey in accordance with all state and federal procurement requirements and HACLA’s Procurement Policy;

BE IT FURTHER RESOLVED The “Designated Officers” of HACLA referred to herein are as follows; and

Name	Title
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 and the undersigned Cielo Castro, Chairperson of the Board of Commissioners, does hereby attest and certify that the foregoing is a true and full copy of a resolution of the governing body adopted at a duly convened meeting on the date above-mentioned, and that the resolution has not been altered, amended or repealed.

APPROVED AS TO FORM:

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: _____
JAMES JOHNSON, General Counsel

By: _____
CIELO CASTRO, Chairperson

DATE ADOPTED: _____

VOTES: AYES: _____ NAYES: _____ ABSTAIN: _____ ABSENT: _____