

REPORT OF THE PRESIDENT AND CEO

JANUARY 23, 2020

RESOLUTION AUTHORIZING DEDICATION OF ONE HUNDRED AND SEVENTY- TWO (172) SECTION 8 PROJECT-BASED VOUCHERS TO ROSE HILL COURTS REDEVELOPMENT PHASE I AND PHASE II PURSUANT TO PROVISIONS IN THE HOUSING OPPORTUNITIES THROUGH MODERNIZATION ACT OF 2016 AND AUTHORIZING THE PRESIDENT AND CEO TO EXECUTE ANY AND ALL CONTRACTS/DOCUMENTS REQUIRED FOR THE PROGRAM



Douglas Guthrie
President and CEO



Carlos VanNatter
Director, Section 8



Jenny Scanlin
Chief Strategic Development Officer

Purpose: To provide one hundred and seventy-two (172) project-based vouchers to the Rose Hill Courts Redevelopment. The provision of project based vouchers lends needed operating subsidy and leverage to the developer, Related Companies of California, LLC, in their application to the State of California's Round 5 Affordable Housing Sustainable Communities ("AHSC") Program and the Infrastructure Infill Grant ("IIG") Program for the redevelopment of Rose Hill Courts Phase I and Phase II (the "Projects"). The current 100 unit Rose Hill Courts public housing project is located on a 5.24-acre site at 4446 Florizel Street, within the Northeast Community Plan Area, in the El Sereno Community of the City of Los Angeles, bounded by Florizel Street to the north, McKenzie Avenue to the east, Mercury Avenue to the south, and Boundary Avenue to the west. The existing site consists of 14 two-story, wood-frame buildings with townhouse and flat style apartments comprising 100 units and an administration building. The redeveloped Projects will consist of an 89 unit affordable housing residential development for Phase I and a 96 unit affordable housing residential development for Phase II.

Regarding: On November 20, 2014, by Resolution 9171, the BOC authorized the President and CEO to award an Exclusive Right to Negotiate an MOU between the Housing Authority of the City of Los Angeles ("the Authority" or "HACLA") and Related for a period of ninety (90) days in accordance with the RFQ for the Rose Hill Courts project to define the terms and conditions under which Related would perform the scope of work.

On November 26, 2019, by Resolution 9543, the Board of Commissioners certified the Environmental Impact Report ("EIR") prepared in full compliance with California Environmental Quality Act ("CEQA") and the State CEQA Guidelines for the teardown of the existing 100-unit Rose Hill Courts public housing site and its redevelopment into 185 units with supporting amenities. Further, the BOC adopted the Mitigation Monitoring and Reporting Program (MMRP) and approved the Projects.

On January 23, 2020, staff will seek BOC authorization to enter into a Disposition and Development Agreement ("DDA"), a long term Ground Lease and

Predevelopment Loan documents with both Rose Hill Courts I Housing Partners, L.P. and Rose Hill Courts II Housing Partners, L.P. (the “Developers” or “Owners”) for the development of an 89 unit affordable housing residential development in Phase I of the Rose Hill Courts redevelopment and a 96 unit affordable housing residential development in Phase II of the Rose Hill Courts redevelopment respectively.

Issues: Authorizing the dedication of one hundred and seventy-two (172) Section 8 Project-Based Vouchers (“PBV”) to Rose Hill Courts Phases I and II (the “Projects”) of which 77 will be allocated for Phase I and 95 will be allocated for Phase II. Phase I will include 88 replacement units and Phase II will include 12 replacement units for the original 100 units currently on-site. Approving the allocation of replacement and non-replacement Project-based Vouchers at this time will expedite the Project’s ability to compete for funding and deliver units.

On October 30, 2017, the Department of Housing and Urban Development issued Notice PIH 2017-21 providing guidance to public housing agencies (“PHAs”) regarding changes to the Project-Based Voucher (“PBV”) program made by the Housing Opportunity Through Modernization Act of 2016 (“HOTMA”). HOTMA section 8(o)(13)(N) allows a PHA to attach PBV assistance to units in a project in which the PHA has an ownership interest or over which the PHA has control without following a competitive process. In order to exercise this authority, the PHA must be engaged in an initiative to improve, develop, or replace a public housing property or site. Attachment L to PIH Notice 2017-21 and HACLA’s Section 8 Administrative Plan describe the conditions for a non-competitive award. The following conditions must be met:

- (a) The PHA must be engaged in an initiative to improve, develop, or replace the public housing properties or sites. The public housing properties or sites may be in the public housing inventory or they may have been removed from the public housing inventory through any available legal removal within 5 years of the date on which the PHA entered into the AHAP or HAP pursuant to the non-competitive selection.
- (b) A minimum threshold of \$25,000 in hard costs per-unit is required for new construction.
- (c) The PHA must explain in its Administrative Plan the work it plans to do on the property or site and how many units of PBV it plans to add.

The Projects meet the criteria to receive a non-competitive award of PBV assistance based on (i) HACLA being the lessor under the Ground Lease, (ii) HACLA engagement in the replacement of public housing units at the Project property, and (iii) per-unit hard Project costs of greater than \$25,000. In addition, HACLA expects to participate in the Project ownership entity and the redevelopment of Rose Hill Courts and commitment of project-based vouchers as a source for replacement and non-replacement units is in the Section 8 Administrative Plan.

Subject to the receipt of a Low Income Housing Tax Credit award, the AHSC funding and all necessary funding and entitlement approvals, Rose Hill Courts

Phase I and Phase II are projected to achieve financial closing and start construction in March 2021 and January 2023, respectively, and achieve completion in September 2022 and July 2024 respectively.

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

Redeveloping the aging Rose Hill Courts public housing site through fully code compliant new construction with contemporary amenities that will completely mitigate lead and asbestos and vastly increase the physical life of the housing stock is consistent with Place Strategy 1 and the asset analysis completed in the Build HOPE Vision Plan. Conversion to a more financially stable Section 8 platform with long term contracts will allow for leveraging the necessary resources for the development and on-going maintenance and upkeep of the properties.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: This action does not immediately require or expect to incur additional costs for the Authority.

Budget and Program Impact: Use of project-based vouchers is an effective approach to maintain deeply affordable housing in public housing conversion projects and provides needed operating subsidy to address the extraordinary costs associated with maintaining significant new infrastructure and open space improvements as well as deep service provision. 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 Authority is the lead agency for the Rose Hill Courts Redevelopment for purposes of the California Environmental Quality Act ("CEQA"). On November 26, 2019, the Authority certified the Environmental Impact Report (SCH 2018091035) and Errata, dated November 2019 for the Rose Hill Courts Redevelopment Project and approved the Projects.

No further environmental review is required for the Authority's recommended actions because there has been no change to the Rose Hill Courts redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164.

NEPA

The Authority is working with the Housing & Community Investment Department (HCID/LA), the Responsible Entity, on a Part 58 NEPA review for the Project and has prepared a Final Environmental Impact Statement (FEIS). The FEIS is currently in the midst of a public review period. Any comments received will be included in HCID/LA's Environmental Review Record (ERR). HCID/LA will publish a Record of Decision and Request for Release of Funds (RROF) for a 15 day public comment period following which the RROF will be executed.

Section 3: Related is committed to meeting all Section 3 obligations under the Master Development Agreement and will submit a Construction and Post-Construction Section 3 Plan to the Authority prior to commencement of activities for review and approval.

Attachments:

1. Resolution

ATTACHMENT 1

RESOLUTION

RESOLUTION NO. _____

RESOLUTION AUTHORIZING DEDICATION OF ONE HUNDRED AND SEVENTY-TWO (172) SECTION 8 PROJECT-BASED VOUCHERS TO ROSE HILL COURTS REDEVELOPMENT PHASE I AND PHASE II PURSUANT TO PROVISIONS IN THE HOUSING OPPORTUNITIES THROUGH MODERNIZATION ACT OF 2016 AND AUTHORIZING THE PRESIDENT AND CEO TO EXECUTE ANY AND ALL CONTRACTS/DOCUMENTS REQUIRED FOR THE PROGRAM

WHEREAS, on October 30, 2017, the Department of Housing and Urban Development issued Notice PIH 2017-21 providing guidance to public housing agencies (PHAs) regarding changes to the Project-Based Voucher (“PBV”) program made by the Housing Opportunity Through Modernization Act of 2016 (“HOTMA”); and

WHEREAS, the Housing Authority and the Related Companies of California, LLC (“Developer”) desire to redevelop the existing 100 unit 5.24-acre Rose Hill Courts (“RHC”) public housing project (“Project”) located within the Northeast Los Angeles community of El Sereno to 183 affordable multifamily units and two market rate manager’s units, 174-parking spaces and a Management Office/Community Building; and

WHEREAS, the redevelopment is comprised of two Phases with Phase I containing 89 units in two four-story elevator buildings with flats, that will provide the maximum level of accessibility for the existing tenant population and with Phase II containing 96 units that step down in massing and height to provide a residential scale appropriate for the adjacent land uses, and developed as 3 and 2 story buildings; and

WHEREAS, all residential units within the two Phases (other than the manager’s unit) will be restricted for occupancy by households of moderate, low, very low and extremely low-income and will receive supportive services; and

WHEREAS, an award of one hundred and seventy-two (172) project-based vouchers to the Rose Hill Courts Redevelopment Project, Phase I and Phase II (“Projects”) provides needed leverage to the developer, Related Companies of California, LLC, in their application to the State of California’s Round 5 Affordable Housing Sustainable Communities (AHSC) Program funding; and

WHEREAS, the Projects meet the conditions and requirements described in HUD Notice PIH-2017-21 Attachment L for awarding project-based vouchers to certain projects where the PHA has an ownership interest as defined under Attachment L without following a competitive process.

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NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners authorizes the President and CEO to execute any and all contracts or related documents as approved by legal counsel, required for the dedication of one hundred and seventy-two (172) project-based vouchers to the Developer for Rose Hill Courts, Phase I and Phase II.

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

APPROVED AS TO FORM:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
GENERAL COUNSEL

BY: _____
CHAIRPERSON

DATE: _____

ADOPTED: _____