

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 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 ("Authority") 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 and impacted by COVID-19. None of the authorizations requested remove the requirement for all acquisitions to be brought before the Board of Commissioners 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; 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. 8582, adopted on February 20, 2008, and amended by Resolution No. 8628 on July 23, 2008, which provided guiding principles for an active acquisition program ("Acquisition Program") to provide more affordable housing in the City of Los Angeles and adopted HACLA's initial Policy Guidelines for the Acquisition of Real Property ("Prior Policy").

Issues: On July 16, 2020, the State of California through its Department of Housing and Community Development issued a Notice of Funding Availability ("NOFA") for the Homekey Program which builds on the success of the statewide Roomkey Program, which utilized federal Coronavirus Relief Funds to temporarily house vulnerable individuals and households during the COVID-19 pandemic. The Homekey Program, funded with \$550 million in Coronavirus Relief Funds and \$50 million in state General Funds, intends to produce more permanent housing solutions for residents impacted by COVID-19, targeting specifically people experiencing homelessness or at risk of experiencing homelessness as defined in Section 578.3 of Title 24 of the Code of Federal Regulations. Under the Homekey Program, this can be accomplished primarily through acquisition and occupancy of units for permanent housing, although the guidelines also allow interim housing uses as well as alternate means of targeting units, such as purchasing affordability covenants, converting motel units into residential housing or master leasing properties. Of the \$550 million being made available, the state has

provided \$161 million as a geographic allocation for all potential projects in the County of Los Angeles, which would include any applications submitted by HACLA.

In response to the fact that the federal government has mandated that their funds be used prior to December 31, 2020, the Homekey Program requires jurisdictions to only submit “ready” projects that can meet these expenditure requirements. Applications will be accepted between July 22nd and September 30th but are prioritized in a “First Come First Serve” order and applications specifically received between July 22nd and August 13th are given the highest priority and points. With a strong desire to produce permanent housing units, the NOFA divides eligible projects into two tiers, with Tier 1 given highest priority for funding. In anticipation of the Homekey Program’s concept, the Authority has been vetting properties that would meet the state’s Tier 1 (priority funding) requirements which require the properties to be primarily vacant, with little rehabilitation requirements and that could be readied for occupancy or partially occupied in 90-days from the date of acquisition. Tier 1 properties must produce permanent units, although projects can begin as interim housing, but have to provide 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 Tier 1 requirements is limited but some have already been identified and the Authority is issuing Letters of Intent to try to secure properties in this category that meet our underwriting criteria and are well-suited to meet the needs of the targeted population.

The Homekey Program provides 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 is required to demonstrate a local match equal to \$150,000. The match funds can be used towards upfront costs, cost of acquisition, rehabilitation or longer-term operating subsidy. The Board is not being asked to allocate or approve any additional funding to meet application match requirements. The Authority’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 the properties. All property-related costs not covered with Homekey funds are expected to be debt financed through bonds and are being underwritten as such. Based on current assessments of market pricing and availability, HACLA has the existing financial match capacity to acquire over 200 units of housing through Homekey and request approximately \$50 million in capital assistance. The first few years of operation for some of the properties may be difficult to finance because they may carry debt while they are leasing up and may have higher start-up costs of services and needed capital investments. However, the state is offering operation subsidies of \$1,000 per unit per month for up to 24-months. HACLA intends to apply for this additional source of grant funding on an as-needed basis. For a portfolio of 240 units this could equate to \$5.76 million in operating subsidies during this two-year period.

Homekey funds require long-term commitments on the type of use and target population, with the expectation that projects providing permanent housing will require covenants to prioritize leasing to the target population for fifty-five years and up to ten years for interim housing. The funds will come into the project as soft debt and will be forgiven over a ten-year period of time, assuming the Authority meets its obligations under the state’s NOFA and Standard Agreement. Any equity HACLA puts in for project-related costs will also act as soft debt and will be repaid to HACLA’s internal funding sources from the property out

of 100% of profit received on an annual basis after all operating, capital and reserve expenses are paid in full.

Properties acquired as part of HACLA's portfolio will be put into the Authority's Asset Management portfolio and the Authority 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.

The resolution adopted in connection with this report is required to allow HACLA to submit applications for Homekey funding. 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.

*City
Partnership*

HACLA's mission is to serve the affordable housing needs of the City of Los Angeles, in which it operates and 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 may enter into a Memorandum of Agreement with HACLA to submit applications on its behalf. In this Memorandum of Agreement, the City may provide additional local match fund commitments to expand the reach of the Authority's ability to acquire properties for its own ownership or for ultimate transfer to the City as well as commitments for operational funds or related services. In anticipation of this Memorandum of Agreement, the resolution proposed for adoption by the Board increases the amount of funding applications the Authority may submit to the Homekey Program to \$100 million and anticipates \$75 million in potential funding which the City may choose to provide through HACLA for applications for which they desire to be co-applicants.

Vision Plan: Place Strategy 2.3 – Increase Functionality and effectiveness of Asset Management Portfolio.

This strategy focusses on the strategic directive of the Housing Authority of the City of Los Angeles to acquire real property to diversify the housing portfolio and increase the supply of deeply affordable housing within the City of Los Angeles.

Vision Plan: 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.

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 Cost	Budgeted Funds
HACLA Equity Investment (Revolving Fund) including no more than \$250,000 in Nonrefundable Deposits	\$5,000,000
Due Diligence/ Closing Costs	\$500,000
Property Improvement Fund	\$500,000

Additionally, the Authority has approved the establishment of a Revolving Line of Credit Facility with City National Bank with an initial revolving commitment amount not to exceed \$30,000,000 and allowances to amend such amount to a maximum of \$50,000,000.

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 and tenant rents. The acquisitions must meet underwriting standards of the Authority’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 the Authority staff will complete 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:

1. 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 EXECUTE RELATED DOCUMENTS AND AGREEMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority of the City of Los Angeles ("Authority") 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; and

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; and

WHEREAS, the Authority 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 the Housing Authority's Build HOPE Vision Plan goals and to provide for the disposition of real property; and

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 the Housing Authority's mission; and

WHEREAS, the Department of Housing and Community Development ("HCD") has issued a Notice of Funding Availability ("NOFA"), dated July 16, 2020, for the Homekey Program ("Homekey") which includes grant funds from the State of California pursuant to Health and Safety Code section 50675.1.1 (Assem. Bill No. 83 (2019-2020 Reg. Sess.), § 21.); and

WHEREAS, the Housing Authority of the City of Los Angeles 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 and as a potential co-applicant with the City of Los Angeles; and

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 are 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; and

WHEREAS, the Authority has reviewed the NOFA and all other program requirements made available by HCD as of the date of this resolution and intends to only submit applications that comply with all available and applicable terms and conditions; and

WHEREAS, the Authority understands the funding is available as a response to COVID-19 and is derived from the state's direct allocation of the federal Coronavirus Relief Fund and \$50 million in state General Funds and that both funds have expedited expenditure requirements; and

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby authorizes and directs the submittal of multiple applications to HCD in response to the NOFA, dated July 16, 2020, and to apply for Homekey grant funds in a total amount not to exceed \$110,000,000. That amount includes \$100,000,000 for capital expenditures (as allowed under Health and Saf. Code, § 50675.1.1, subd. (a)(1)-(6)) and \$10,000,000 for a capitalized operating subsidy (as allowed under Health and Saf. Code, § 50675.1.1, subd. (a)(7)); and

BE IT FURTHER RESOLVED that if the Authority's applications are approved, the President and CEO, or his designee, is authorized and directed to ensure that any funds awarded for capital expenditures are spent by December 30, 2020, and that any funds awarded for capitalized operating subsidies are spent by June 30, 2022; and

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, which Agreements in a total aggregate amount shall not to exceed \$110,000,000, 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"); and

BE IT FURTHER RESOLVED that the Housing Authority and its Board of Commissioners acknowledge and agree that the Authority 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; and

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

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 Authority 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 \$75 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; and

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 this Resolution shall take effect immediately and the undersigned Ben Besley, 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.

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: _____
BEN BESLEY, Chairperson

APPROVED AS TO FORM:
JAMES JOHNSON

BY: _____
General Counsel

DATE ADOPTED: _____

VOTES:

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