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September 15, 2022

REVISED

Council File: 21-0112
Council Districts: Citywide
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REPORT AND RECOMMENDATIONS RELATED TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT HOMEKEY PROGRAM

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully seeks approval and requests authority to select Development Teams for the Request for Proposal (RFP) Homekey Program Round 2 Sites, procurement process and results, provide award recommendations, and discuss the actions necessary to implement the ownership transfer and operationalization of nine City Project Homekey projects.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

- A. APPROVE the recommended Owner/Operators listed in Attachment 1
- B. AUTHORIZE the General Manager of LAHD, or designee to enter into a Sole Source Contract with LINC Housing for the 36-unit new construction site in Council District 6 located at 7639 Van Nuys Blvd, Los Angeles, CA 91405, subject to the approval of the City Attorney as to form;
- C. AUTHORIZE the General Manager of LAHD, or designee to enter into a Sole Source Contract with A Community of Friends for the 101-unit new construction site in Council District 3 located at 21121 Vanowen Blvd, Los Angeles, CA 91303, subject to the approval of the City Attorney as to form;

LAHD REPORT AND RECOMMENDATIONS RELATED TO THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT HOMEKEY PROGRAM

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- D. MODIFY the approved Recommendation 7 from City Administrative Officer’s Report, dated June 17, 2022 (C.F. No. 21-0112) with the following recommendations to align with the California Department of Housing and Community Development.
 - a. Disburse all committed funding for the Homekey round 2 projects, not to exceed \$234,565,929
 - b. Increase amounts and/or replace funding sources for each HOMEKEY project, this is an increase from the previous approval of \$215,362,320 to \$234,565,929, an increase of \$19,203,609. The total funding will not exceed the total allocation of the Funding Source or the Total Match Amount of \$234,565,929.

Project Homekey – City of LA LA Funding Matching Minimums

| No. | Address | CD | City Match |
|-------|------------------------------|----|----------------|
| 1 | 7639 Van Nuys | 6 | \$ 11,418,534 |
| 2 | 1654 W Florence | 8 | \$ 29,562,840 |
| 3 | 2812 W Temple/916 N Alvarado | 13 | \$ 20,201,400 |
| 4 | 6531 S Sepulveda | 11 | \$ 31,001,350 |
| 5 | 18602 S Vermont | 15 | \$ 15,989,297 |
| 6 | 20205 Ventura | 3 | \$ 21,943,600 |
| 7 | 19325 Londelius | 12 | \$ 28,150,850 |
| 8 | 2010 Highland | 4 | \$ 19,764,058 |
| 9 | 21121 Vanowen | 3 | \$ 41,534,000 |
| | Loan to HACLA | | \$ 15,000,000 |
| Total | | | \$ 234,565,929 |

- E. AUTHORIZE the General Manager of LAHD, or designee to enter into Escrow Funding Agreements, subject to the approval of the City Attorney as to form, with the Housing Authority of the City of Los Angeles to disburse funds to the Housing Authority of the City of Los Angeles for the acquisition of the Homekey properties as outlined in the executed Professional Services Agreement between HACLA and the City;
- F. APPROVE the Proposition HHH FY 2020-2021 PEP to be amended and increased as follows:
 \$4,969,012.49 for the 18602 Vermont Project.
- G. AUTHORIZE the Controller to establish new accounts and appropriate the following within Fund GOB Series 2021-A (TAXABLE), PROP HHH CONSTRUCTION FUND No. 17E;

| Account | Account Name | Amount |
|---------|--------------|--------|
| | | |

| | | |
|--------|-----------------|---------------------|
| 43WC40 | 6531 Sepulveda | \$15,245,537.51 |
| 43WC41 | 18602 Vermont | \$4,969,012.49 |
| 43WC42 | 20205 Ventura | \$5,535,464.51 |
| 43WC43 | 19325 Londelius | \$14,368,535.49 |
| | Total: | \$40,118,550 |

- H. AUTHORIZE the General Manager of LAHD, or designee to release the Request for Proposals/Qualifications (RFP/RFQ) for Project Homekey Round 3;

- I. AUTHORIZE the General Manager of LAHD, or designee to prepare Controller instructions and any technical corrections as necessary to the transactions included in this report, including the creation of special appropriation accounts or corrections to account names, to implement the intent of those transactions, subject to the approval of the City Administrative Officer (CAO), and request the Controller to implement those instructions;

BACKGROUND

Request for Proposal (RFP) Procurement Process and Results

On May 10th, 2022, LAHD released the RFP to Select Development Teams for Homekey Program Round 2 Sites via the Regional Alliance Marketplace for Procurement (RAMP). A mandatory Pre-Proposal Conference was conducted virtually on May 17, 2022 with 94 attendees.

LAHD received a total of 20 proposals from twelve agencies by the submission date of June 7, 2022. All proposals were first reviewed according to the Threshold Review Checklist to ensure that they meet minimum requirements for eligibility and included all information critical for RFP review. The State Project Homekey NOFA provided specific guidance on minimum program requirements for sites acquired with Project Homekey funds, including a scope of required services for permanent housing and mandated minimums for years of experience operating permanent supportive housing. All of these requirements were included as requirements in the RFP, as well as City and Corporate documents that were also required to be submitted by the proposer. Based on these threshold requirements, seven proposals did not meet the Threshold Review, either due to lateness in submission, incomplete City required documents, missing required corporate documents or failed

to meet minimum program requirements and/or years' experience. Per the RFP, these seven proposals were not evaluated and scored.

Proposal Scoring

The 13 proposals that passed Threshold Review were then reviewed by a team of LAHD staff. The evaluation criteria were comprised of two main categories:

1. Demonstrated Experience and Capacity (60 points)
2. Site Specific Proposal (40 points)

Proposals could receive a maximum score of 100 total points. In order to be considered for selection, proposals must receive a score of 70 or higher. The Demonstrated Experience and Capacity points were awarded for demonstrating ability to manage and operate permanent supportive housing. The Site Specific points were awarded based on the proposer's ability to demonstrate a strong understanding of the necessary work for the project and what services could be provided once the project was operational. Seven out of the nine project sites were awarded to the highest ranking proposer for each site, as its selected Owner/Operator.

Sole Source Contract for 7639 Van Nuys

No proposals submitted met the threshold for the 7639 Van Nuys Blvd site, located in Council District 6. LAHD discussed the need for a sole source with the City Attorney, as such, the Department recommends that the City Council approve a Sole Source determination and that we proceed with executing a loan agreement and regulatory documents with LINC Housing. There is a compelling urgency to select this owner/operator as HCD requires that all construction and/or rehabilitation within 12 months of the date of the award. Moreover, all projects must receive full occupancy within 90 days of the construction and/or rehabilitation completion. Because of these requirements as well as the need to select applicants that have experience in development, ownership and/or operation of projects similar in scope and size to the proposed project, have three or more years of experience serving persons of Target Population, Linc Housing is selected. This organization operates over 9,000 units of affordable housing of which 501 supportive housing apartments and provide wrap around intensive case management services that improve the quality of life for those who live in their communities.

Sole Source Contract for 21121 Vanowen

Two proposals were submitted and scored in the low 70s for the 21121 Vanowen site, located in Council District 3. After consideration, LAHD found that the proposers did not have the adequate experience needed to effectively manage this site. LAHD discussed the need for a sole source with the City Attorney, as such, recommends that the City Council approve a Sole Source determination and that the City proceed with executing a loan agreement and regulatory documents with A Community of Friends (ACOF). Similar to the justification provided above, ACOF is one of only a number of agencies that offer supportive and service-enriched affordable housing for homeless individuals and families living with mental illness in Los Angeles County. ACOF was the first agency to successfully implement the permanent supportive housing model throughout LA County. ACOF houses over 2,700 individuals and families.

Appeals

All proposers that were not selected were notified of the outcome of the RFP review process. All appeals were processed in accordance with procurement procedures.

Affirmative Marketing Plan/Tenant Selection Criteria

Approximately thirty-five percent (35%) of the new PHK units are required to use the CES system for placement of clients who will receive a Project-Based Voucher. The rest of the units, approximately sixty-five percent (65%), will not require usage of the CES system for placement, but will be required to fill their units with current or formerly unhoused individuals and families. Prioritizing EHV holders and other households with vouchers, who currently reside in one of the many interim interventions paid for by the City, may reduce the bottlenecks associated with throughput within interim housing. In order to place those homeless households in need and free up additional interim beds, LAHD recommends that the Department work in consultation with the owner/operator at each site to develop an approved lease up strategy, affirmative marketing plan and tenant selection criteria required by many affordable housing projects.

Technical Correction to Recommendation 7 from CAO's Report, dated June 13, 2022 (C.F. No. 21-0112)

In order to be consistent with the LAHD commitments made to the California Department of Housing & Community Development (HCD), LAHD must make technical corrections to Recommendation 7 from City Administrative Officer's Report, dated June 17, 2022 (C.F. No. 21-0112). The funding amount has increased \$19,203,609 from \$215,362,320 to \$234,565,929. The total funding will not exceed the total allocation of the Funding Source or the Total Match Amount of \$234,565,929. This correction will align the LAHD commitments to HCD with the required LA City Council authorities. The CAO previously approved a \$15 million loan to HACLA and the \$4,203,609 additional funds required are due to costs increased from time of application due to higher than expected costs for accessibility improvements particularly in adapting the BLVD Hotel (2010 Highland) to permanent supportive housing. The Vanowen property also had a reduction in the Homekey equity match that required the City to provide more funding to cover the gap.

APPROVE the Proposition HHH FY 2020-2021 PEP

LAHD recommends that the FY 2020-2021 PEP be amended and increased by \$4,119,012.49 for 18602 Vermont Project from \$850,000. The revised amount will be \$4,969,012.49.

Escrow Funding Agreements and Controller Instructions

In order to facilitate the acquisition of the 6531 Sepulveda, 18602 Vermont, 20205 Ventura, and 19325 Londelius Homekey projects, Escrow Funding Agreements between LAHD and the Housing Authority of the City of Los Angeles (HACLA) must be executed. The Escrow Funding Agreements will provide the authority for the remittance of \$40,118,550 at closing and will enable LAHD to disburse funds to the HACLA for the acquisition of the four Homekey properties listed above without having to execute loan agreements until the sites are transferred to Owner/Operators. To facilitate remittances per the Escrow Funding Agreements, accounts must be established through the LA City Controller.

Request for Proposals/Qualifications

LAHD will release a RFP/RFQ for Homekey Round 3 for contacting property owners/operators to solicit interest in potentially selling a property to the City and/or its development partner, contingent on grant funds being awarded and approval of an Option to Purchase Agreement by the City Council. Appropriate properties include (but are not limited to): new construction, hotel/motel properties, certain commercial properties, and other properties that could be used for interim or permanent housing. The RFP/RFQ will be released when additional information is released from the State or the State Homekey NOFA is released.

FISCAL IMPACT

There is no General Fund impact anticipated at this time.

ATTACHMENT 1

| TABLE 1, LAHD SITES | | | |
|----------------------------|--------------------------|-----------|---|
| # | Site | CD | Owner Operator |
| 1 | 7639 Van Nuys | 6 | LINC Housing |
| 2 | 1654 W Florence | 8 | LINC Housing |
| 3 | 2812 Temple/916 Alvarado | 13 | Brilliant Corners |
| 4 | 6531 Sepulveda | 11 | American Family Housing |
| 5 | 18602 Vermont | 15 | Coalition for Responsible Community Development |
| 6 | 20205 Ventura | 3 | Volunteers of America of Los Angeles |
| 7 | 19325 Londelius | 12 | Volunteers of America of Los Angeles |
| 8 | 2010 Highland | 4 | A Community of Friends |
| 9 | 21121 Vanowen | 3 | A Community of Friends |