

TRANSMITTAL

To:

THE COUNCIL

Date: 2/16/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCEITI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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February 16, 2018

Council File:	Council File	17 – 0090 – S2
Council Districts:	Citywide	
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The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORIZATION TO ISSUE FUNDING COMMITMENTS TO THE PROPOSITION HHH PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM WINTER 2017 CALL FOR PROJECTS RECOMMENDED APPLICANTS AND FOR APPROVAL TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE DEVELOPMENT OF AFFORDABLE HOUSING ON CITY-OWNED PROPERTY

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks Mayor and City Council approval, and requests authority to, issue letters of commitment for ten projects listed in Table 2A that applied to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) Winter 2017 Call for Projects (CFP). HCIDLA also requests approval of the terms of the proposed Disposition and Development Agreement (DDA) with Clifford Beers Housing, who applied and was recommended in the Winter 2017 CFP, through the City Administrative Officer's (CAO) Affordable Housing Opportunity Sites (AHOS) Program, to enable the developer to continue through the HHH process.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that Mayor and Council:

- I. Authorize the HCIDLA General Manager, or designee, to
 - A. Issue a Financial Commitment/Support Letter for each of the projects identified in Table 2A of this report, subject to the following conditions:
 - 1) That the final HHH financial commitment not exceed \$100,009,110 per the breakdown of projects listed in Table 2A;
 - 2) That the disbursement of HHH funds will take place after the sponsor obtains enforceable commitments for all proposed funding, including, but not limited to, the full amount of funding and/or tax credits proposed.
- II. Authorize the HCIDLA General Manager, or designee, to negotiate and execute a Disposition and Development Agreement (DDA) with Clifford Beers Housing for the 283 West Imperial Highway property in substantial conformance with the Disposition and Development Agreement (Attachment C) and based on the Key Terms and Conditions negotiated with the developer (Attachment B).

BACKGROUND

The Los Angeles Housing + Community Investment Department (HCIDLA) opened the 2017 Proposition HHH Call for Projects (CFP) subsequent to the approval by the Mayor and City Council of the transmittal dated November 2, 2017 (C.F. 17-0090-S2). In response to the CFP, 23 applications for projects (Attachment A) were received by the close of the call, December 22, 2017, and thereupon reviewed by HCIDLA staff and consultants. Of the applications submitted, 16 projects were identified as primed and viable at this time. Included in the identified group of projects is an innovative design development utilizing shipping containers that will be built on City-owned land and two projects that will be developed in “small difficult to develop areas” (SDDAs). Furthermore, six of the 16 identified projects already secured early HCIDLA letters of commitment on January 16, 2018 (C.F. 17- 0090-S2) in order to apply for, and be competitive in, the State’s Affordable Housing and Sustainable Communities (AHSC) and Infill Infrastructure Grant (IIG) programs. HCIDLA requests the Mayor and City Council to authorize the issuance of letters of commitment for a total of \$100,009,110 in HHH funds to the remaining ten identified projects (Table 2A), representing a cumulative total of 604 units, of which 537 are Permanent Supportive Housing (PSH) units, that applied for funding in the Proposition HHH Permanent Supportive Housing Loan Program (HHH) 2017 Call for Projects.

Of the seven projects not recommended at this time, six projects are theoretically viable and HCIDLA is currently meeting with the projects’ developers to help address any and all due diligence issues related to their applications and adherence to the HHH Regulations, Policies, and Procedures (“Regulations”). Assuming the applications are augmented and completed prior to Council consideration of this report, HCIDLA may amend its recommendations. Otherwise, these projects will be reconsidered in the next round of funding, closing on March 5, 2018. Included in these six projects is a campus-style facility to be built on federal land outside of the City, which was approved by outside Bond Counsel for HHH. Also

included in these six projects are two motel conversions and one start-up developer, to whom HCIDLA is providing technical assistance.

In addition, through a separate competitive selection process, HCIDLA selected qualified developers to build affordable housing on City-owned land made available through the CAO's AHOS Program. HCIDLA has negotiated with each stated developer a Term Sheet that outlines the key business terms and conditions of the project (Attachment B). These terms will be incorporated into a DDA with each developer. Among these developers, Clifford Beers Housing also applied for HHH funding in the Winter 2017 CFP and, prior to HHH selection and award, a DDA must be fully executed (template included as Attachment C).

HHH REVIEW PROCESS AND THE 2017 WINTER PROJECTS

THRESHOLD REVIEW

All 23 submitted applications to the CFP underwent a thorough threshold review process. The review covers the main qualities and spirit present in lender/borrower due diligence, in addition to supplemental compliance with the Regulations. Two of the major and significant components contributing to passing threshold review include site control and overall financial feasibility/viability.

Site control, at its root, demonstrates the developer's legal control over the land where the project will be constructed. Demonstrating site control can include a title report showing ownership, purchase and sale agreement, or lease option agreement. If a project application submits documentation with unclear, conflicting, or otherwise inconsistent site control, it is not immediately deemed ineligible. Additional investigation is necessary before HCIDLA is able to verify the information and, if positively approved, HCIDLA proceeds to recommending the project.

Financial viability, at its essence, is evaluating all costs of a project and ensuring there are adequate funding sources to cover those costs. Thus, an initial financial analysis at the threshold review stage is conducted to gain valuable insight into a project's viability. The financial analysis includes, but is not limited to, 1) reviewing the land value, construction costs, and tax credit pricing assumptions to ascertain the reasonableness of the proposed costs and/or public funding support, 2) determining if the project's rents are realistic, 3) ensuring that the cash flow after debt service is positive over the course of time, 4) ensuring that the operating reserve and utility allowances are appropriate for the feasibility of the project, and 5) determining that the HHH subsidy per unit is within the maximum limits. The financial analysis also includes analysis of the developer's financial statements to affirm the sustainability of the entity and to safeguard the completion of the project.

Other critical components contributing to a project application being recommended include a letter of support from the respective Council Office, organizational documentation establishing a clear understanding of all parties involved in the development, a supportive services plan that meets Los Angeles County-established criteria, and proper documentation showing that the collective development team has the requisite experience to meet the criteria set forth in the Regulations.

PROJECTS NOT RECOMMENDED

All 23 submitted projects were presented at the January 19th Citizens Oversight Committee (COC) meeting and at the January 25th Administrative Oversight Committee (AOC) meeting, both of which included substantial discussion on why some projects were recommended while others were not recommended. Sixteen projects (discussed in detail on pages 6-8) met threshold requirements, of which six already received commitment letters and ten are being recommended in this transmittal. Seven projects (Table 1 and Attachment D) did not meet the initial requirements and HCIDLA is not recommending them at this time. However, HCIDLA analysis shows that six of these seven projects are theoretically viable (the VA Building 209 being the sole exception). HCIDLA is working to help them move forward to gain HHH funding in the current round or the round ending March 5, 2018.

The final recommendations coming out of the COC and AOC are as follows:

A. Authorize HCIDLA to issue letters of commitment as outlined in the report;

B. Amend the report to add the following four projects, which HCIDLA did not recommend for letters of commitment, subject to these projects satisfying the Round 1 Call for Projects requirements prior to Council consideration of the report:

1. Building 205 (CD 11)
2. Building 208 (CD 11)
3. West Third Apartments (CD 1)
4. Western Avenue Apartments (CD 8)

C. Direct HCIDLA to describe all applications received in response to the Call for Projects, including the requirements for funding that projects not recommended must meet in order to qualify in future funding rounds.

TABLE 1: HHH PROJECTS NOT BEING RECOMMENDED AT THIS TIME

Project Name	C D	Total Units	PSH Units	PSH Chronic	TDC	TDC/ Unit	Total HHH Request	Homeless Population Served
Figuroa Apts	15	5	5	2	\$ 1,800,000	\$ 360,000	\$ 900,000	Family
400 E Florence	9	51	50	25	22,368,476	438,598	11,000,000	Individuals
West Third Apts Preservation	1	137	136	63	42,772,025	312,205	12,000,000	Veterans
Western Avenue Apts	8	34	33	17	12,003,942	353,057	6,787,742	Veterans
Building 205	11	67	66	66	37,994,432	567,081	12,000,000	Veterans
Building 208	11	54	53	53	35,355,102	654,724	11,880,000	Veterans
Building 209 Preservation	11	55	53	53	\$ 11,066,020	\$ 201,200	\$ 4,053,841	Special Needs
Total		403	396	279	\$ 163,359,997		\$58,621,583	
Average		58	57	40	\$ 23,337,142	\$ 412,409	\$ 8,374,512	

The seven projects that are not being recommended at this time face a variety of issues, including inadequate demonstration of site control, arguable cost assumptions, financial viability concerns, missing required application documents, and/or excessive total development costs (TDC) per unit.

VA Campus

The VA Campus Building 209 is already rehabilitated and occupied with tenants, and therefore does not qualify under Section 1.8 of the Regulations and is not eligible for HHH funding.

Two projects by the developer, Building 205 and Building 208, are theoretically viable and HCIDLA has been actively meeting with the developer and will continue to do so throughout the application process. Assuming the applications are augmented and completed prior to Council consideration of this report, HCIDLA may amend its recommendations and submit an addendum to this transmittal. Otherwise these projects will be reconsidered in the next round of funding, closing on March 5, 2018.

Motel Conversions

West Third Apartments and Western Avenue Apartments are two motel conversions. Both have unreasonably high valuations with unusual appraisal assumptions, necessitating a secondary appraisal and a consultant's financial review to verify assumptions (Attachment E and Attachment F, respectively). In the secondary appraisal report, the City's appraiser raised numerous issues, including the original appraisal not conforming to standard industry practices by failing to provide unit conversion costs, proposed rent for prospective tenants, and information about the building characteristics to justify costs (e.g. kitchen equipment, metered utilities, etc.). The secondary appraiser also took particular issue with the comparable sales to justify the proposed value of the project, indicating that "a 10 unit apartment building is not comparable to a 34 unit project," referring to the Western Avenue project, nor are "10, 32, or 36 unit apartment buildings comparable to a 137 unit project," referring to the West Third project. As such, the secondary appraiser deduced that the original appraiser used inappropriate comparables to allow him/her to "easily overstate the value of [studio] units."

Both motel conversions are theoretically viable, and HCIDLA will explore all options to assist the developments to attain HHH funding.

Others

The final two projects not being recommended at this time are missing too many background and project information documents to qualify for a complete threshold review of the projects. 400 East Florence is missing a Council Office Letter of Acknowledgement. Aside from that issue, the project is theoretically viable. The Figueroa Apartments is missing nearly half the required documents, including a Council Office Letter of Acknowledgement, appraisal report, all environment reports, property management and supportive services plans, among others. However, HCIDLA has met with Figueroa Apartments' developers to assist them through the development process and will continue to guide them to a complete and viable application for the HHH funding round ending March 5, 2018.

HCIDLA will continue to meet and work in conjunction with these and all developers to attain HHH funding and follow through to completion.

PROJECTS RECOMMENDED

Of the project proposals submitted, 16 of the 23 projects met overall threshold requirements. Six of the 16 identified projects have already secured early HCIDLA letters of commitment on January 16, 2018 (C.F. 17-0090-S2). The remaining ten of the 16 projects are being recommended (Attachment G) by HCIDLA and Table 2A lists the projects, the homeless population to be served, and the unit breakdown by project. Table 2B lists which projects are seeking to leverage City-owned land, reflecting the market value of that land (as of June 13, 2016) and the total development cost per unit after accounting for the value of the City-owned land. The ten projects propose a cumulative total of 604 units, 537 of which are PSH, or nearly 89% of the total and far greater than the minimum 50% required in the Regulations. Of the total PSH units, 277 are designated as chronically homeless units.

The ten recommended projects are spread across six Council Districts, have an average size of 63 units per project, and nine are Transit Oriented Developments. Five of the ten projects request exemptions to build units with two or more bedrooms to support larger families. The primary leveraging source used is 4% tax credits, with only two of the ten projects proposing 9% tax credits as a leveraging source.

TABLE 2A: HHH PROJECT LIST – GENERAL INFORMATION

No.	Project Name	CD	Total Units	PSH Units	PSH Chronic Units	Affordable Units	HHH Request	Homeless Population Served
1	Casa de Rosas Campus	9	37	36	18	0	\$ 6,459,110	Veterans
2	Cambria Apts	1	57	56	56	0	12,000,000	Individuals
3	Missouri & Bundy Housing	11	74	37	19	36	11,520,000	Families with young children
4	Isla de Los Angeles	8	54	53	27	0	11,660,000	Disabled Individuals
5	Firmin Court	1	64	42	21	21	11,940,000	Individuals
6	Hartford Villa Apts	1	101	100	25	0	12,000,000	Veterans and mentally ill
7	PATH Villas Montclair	10	46	45	23	0	9,900,000	Individuals
8	433 Vermont Apts	10	72	71	36	0	7,200,000	Seniors & frequent users of County health
9	Residences on Main	9	50	49	25	0	8,800,000	TAY and Families
10	Summit View Apts	7	49	48	48	0	\$ 8,530,000	Veterans
	TOTAL		604	537	298	57	\$ 100,009,110	

RED INDICATES CITY-OWNED LAND

TABLE 2B: HHH PROJECT LIST – DEVELOPMENT COSTS

No.	Developer Name	Address	TDC	TDC/ Unit	City-owned Land Value	TDC (less City-owned land)/ Unit
1	WARD Economic Dev.	2600 S Hoover St	\$ 18,938,064	\$ 511,840	\$ 3,936,000	\$ 405,461
2	Affirmed Housing	1532 W Cambria St	26,387,793	462,944		
3	Thomas Safran Assoc.	11950 W Missouri Ave	33,621,721	454,348	5,700,000	\$ 373,942
4	Clifford Beers Housing	283 W Imperial Hwy	21,761,570	402,992	1,325,000	\$ 378,455
5	Decro Corporation	418 N Firmin St	30,056,520	469,633		
6	SRO Housing	445 S Hartford Ave	43,159,535	427,322		
7	PATH Ventures	4220 W Montclair St	26,002,599	565,274		
8	Meta Housing	433 S Vermont Ave	48,889,129	679,016		
9	LA Family Housing	6901 S Main St	24,588,641	491,773	813,363	\$ 440,093
10	LA Family Housing	11681 W Foothill Blvd	\$24,434,827	\$498,670	\$3,400,000	\$ 424,078
	TOTAL		\$ 297,840,399		\$15,174,363	
	AVERAGE		\$ 29,784,040	\$ 496,381		\$ 404,406

RED INDICATES CITY-OWNED LAND

INNOVATIVE DEVELOPMENT

Included in the ten recommended projects is Isla de Los Angeles, an innovative design development that will use non-traditional recycled materials. The project, with Clifford Beers as lead developer, proposes utilizing shipping containers and building on City-owned land, resulting in a project that has the lowest total development cost (TDC) of any of the projects being recommended. The TDC per unit for Isla de Los Angeles is \$378,455 without City-land cost, compared to the average TDC per unit of \$496,381 for all projects being recommended. Through innovative designs and public-private collaboration, the City is facilitating new and less expensive affordable/supportive housing development models, and HCIDLA is eager to support more innovative designs as they apply for HHH funding.

CITY-OWNED PROPERTY

Included in the ten recommended projects are five projects that propose building on City-owned land. After the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) was dissolved, and in response to Los Angeles’ affordable housing crisis, HCIDLA’s Public Land Development Program proposed developing former CRA/LA vacant land and leveraging other City-owned properties for the creation of citywide affordable housing. After the developer selection period, each developer entered into an Exclusive Negotiating Agreement (ENA) with the City. As such, with a contribution by the City of Los Angeles of \$15.1 million, the average TDC per unit for these five projects on City-owned land is \$430,872, compared to the average TDC per unit of \$496,381 for the projects being recommended. This was accomplished by collaborating with developers to build affordable housing on public land, and HCIDLA is enthusiastic to support more of the same in the coming rounds of HHH funding.

GEOGRAPHIC EQUITY

The Regulations are designed to encourage geographic distribution of affordable and permanent supportive housing projects throughout the city, including areas with high housing costs relative to the area median gross income that are designated by the federal government as “small difficult to develop areas” (SDDA) due to high construction, land, and utility costs. All applications proposing a development in an SDDA have the incentive to receive an increased developer fee that can exceed the base of \$2.5 million, provided that any additional amount is deferred or reinvested as General Partner equity. This is a major incentive for developers and has resulted in two projects, Missouri & Bundy and Summit View Apartments, requesting an aggregate of \$20,050,000 in HHH funds, comprising 18% of the total HHH funding requested for the 10 recommended projects. The properties are located in Council Districts 7 and 11 and will produce 123 new units, of which 85 units will be for PSH, 67 units for chronic PSH, and 36 units will be affordable. A report back requirement on this subject matter was requested from the Homelessness & Poverty Committee on January 24th and will be addressed in more detail by HCIDLA in a future transmittal.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund.

ATTACHMENT A: HHH Winter 2017 Projects List

ATTACHMENT B: Term Sheet – 283 West Imperial Highway

ATTACHMENT C: Disposition and Development Agreement Template

ATTACHMENT D: Staff Reports – Projects Not Recommended

ATTACHMENT E: Secondary Appraisal – West Third & Western

ATTACHMENT F: Financial Review – West Third & Western

ATTACHMENT G: Staff Reports – Projects Recommended

Prepared by:



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LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachment

A

(HHH Winter 2017 Projects List)

Prop HHH Winter 2017 Projects List

ProjectName	Developer Name	Address	CD	Leverage Source	Total Units	PSH Units	PSH Chronic	HHH Non PSH Units	Non-HHH Units	Mgr Units	TDC	City-owned Land Cost	Land Cost (less City-owned land)	TDC Less Land Cost	TDC/Unit	TDC (less land)/Unit	Total HHH Request	Total HHH PSH \$	Total HHH Non PSH \$	PSH \$/HHH Unit	Non PSH \$/HHH Unit	Homeless & Chronically Homeless Population Served	Other
Projects Applying for AHSC or State-Infill with HHH funding (already been preliminarily reviewed by Council)																							
Depot at Hyde Park	Depot at Hyde Park Partners, LP	6527 S CRENSHAW BLVD	8	4%	43	25	13	17	0	1	\$ 23,258,685	\$ 440,463	\$ 1,984,537	\$ 20,831,685	\$ 540,853	\$ 484,458	\$ 7,200,000	\$ 5,500,000	\$ 1,700,000	\$ 220,000	\$ 100,000	Seniors, Fams & Indiv. incl Domestic Violence Victims	AHSC
Adams Terrace	Adams Terrace, LP	4347 W ADAMS BLVD	10	4%	86	43	22	41	0	2	\$ 42,363,034	\$ 894,898	\$ 2,300,102	\$ 39,168,034	\$ 482,593	\$ 455,442	\$ 12,000,000	\$ 8,661,429	\$ 3,338,571	\$ 201,429	\$ 81,429	Seniors	AHSC
McCadden Campus Senior Ho	McCadden Plaza LP	1118 N MCCADDEN PL	4	HCD Cap and Trade	98	25	13	0	72	1	\$ 44,053,286		\$ 4,930,158	\$ 39,123,128	\$ 449,523	\$ 399,216	\$ 5,500,000	\$ 5,500,000	\$ -	\$ 220,000	\$ -	LGBT Seniors	AHSC
PATH Villas Hollywood	PATH Ventures	5827 W FERNWOOD AVE	13	4%	60	49	25	10	0	1	\$ 33,769,951		\$ 3,586,750	\$ 30,183,201	\$ 562,833	\$ 503,053	\$ 11,780,000	\$ 10,780,000	\$ 1,000,000	\$ 220,000	\$ 100,000	Indiv. incl Developmentally Disabled	AHSC
Gramercy Place Apartments	Hollywood Community Housing Corp	2375 W WASHINGTON BLVD	10	4%	64	31	12	31	0	2	\$ 36,315,577	\$ 2,329,139	\$ 198,831	\$ 33,787,607	\$ 587,431	\$ 527,931	\$ 9,920,000	\$ 6,820,000	\$ 3,100,000	\$ 220,000	\$ 100,000	Frequent users of the County health system	IIG
Sun Commons	Abbey Road, Inc.	6329 N CLYBOURN AVE	2	9%	103	51	26	50	0	2	\$ 53,017,962		\$ 4,568,890	\$ 48,449,072	\$ 514,737	\$ 470,379	\$ 12,000,000	\$ 9,089,109	\$ 2,910,891	\$ 178,218	\$ 58,218	Frequent users of the County health system	IIG
					454	224	111	149	72	9	\$ 232,776,495	\$ 3,684,509	\$ 17,589,288	\$ 215,207,227			\$ 58,400,000	\$ 46,359,537	\$ 12,049,463				
					76	37	19	25			\$ 38,796,083		\$ 2,928,211	\$ 35,257,121	\$ 521,328	\$ 473,413	\$ 9,733,333						
Projects Not Applying for AHSC or State-Infill with HHH funding (being reviewed by Council for the first time)																							
Casa de Rosas Campus	WARD Economic Development Corp	2600 S HOOVER ST	9	4%	37	36	18	0	0	1	\$ 18,938,064	\$ 3,936,000		\$ 15,002,064	\$ 511,840	\$ 405,461	\$ 6,459,110	\$ 6,459,110	\$ -	\$ 179,420	\$ -	Disabled Veterans	
Cambria Apartments	Cambria PSH, L.P. (Affirmed Hsg)	1532 W CAMBRIA ST	1	4%	57	56	58	0	0	1	\$ 26,387,793		\$ 3,600,000	\$ 22,787,793	\$ 462,944	\$ 399,786	\$ 12,000,000	\$ 12,000,000	\$ -	\$ 214,286	\$ -	Individuals	
Missouri & Bundy Housing	Missouri and Bundy Housing LP (TSA)	11950 W MISSOURI AVE	11	4%	74	37	19	38	0	1	\$ 33,621,721	\$ 5,700,000	\$ 250,000	\$ 27,871,721	\$ 454,348	\$ 373,842	\$ 11,520,000	\$ 8,140,000	\$ 3,600,000	\$ 220,000	\$ 100,000	Families with young children	
Isla de Los Angeles	Clifford Beers Housing	283 W IMPERIAL HWY	8	4%	54	53	27	0	0	1	\$ 21,761,570	\$ 1,325,000	\$ -	\$ 20,436,570	\$ 402,992	\$ 378,455	\$ 11,960,000	\$ 11,660,000	\$ -	\$ 220,000	\$ -	Disabled Individuals	
Firmin Court	Deero Corporation	418 N FIRMIN ST	1	4%	64	42	not specified	21	0	1	\$ 30,056,520		\$ 30,056,520	\$ 469,633	\$ 469,633	\$ 11,940,000	\$ 9,240,000	\$ 2,100,000	\$ 220,000	\$ 100,000	Individuals		
Hartford Villa Apartments	Hartford Villa, L.P.	445 S Hartford AVE	1	9%	101	100	25	0	0	1	\$ 43,159,535		\$ 6,721,867	\$ 36,437,668	\$ 427,322	\$ 360,789	\$ 12,000,000	\$ 12,000,000	\$ -	\$ 120,000	\$ -	Veterans and mentally ill individuals	
PATH Villas Montclair	PATH Ventures	4220 W MONTCLAIR ST	10	4%	46	45	23	0	0	1	\$ 26,002,599		\$ 3,910,250	\$ 22,092,349	\$ 585,274	\$ 480,288	\$ 9,900,000	\$ 9,900,000	\$ -	\$ 220,000	\$ -	Individuals	
433 Vermont Apartments	Western Community Housing / WCH	433 S VERMONT AVE	10	9%	72	71	38	0	0	10	\$ 48,889,129		\$ 7,400,000	\$ 41,489,129	\$ 679,016	\$ 576,238	\$ 7,200,000	\$ 7,200,000	\$ -	\$ 169,014	\$ -	Seniors & frequent users of County health system	
Residences on Main	Coalition for Responsible Community	6901 S MAIN ST	9	4%	50	49	25	0	0	1	\$ 24,588,641	\$ 813,363	\$ 1,770,635	\$ 22,004,643	\$ 491,773	\$ 440,093	\$ 8,800,000	\$ 8,800,000	\$ -	\$ 179,592	\$ -	TAY and Families	
Summit View Apartments	11681 Foothill, L.P. (LAFH)	11681 W FOOTHILL BLVD	7	4%	49	48	48	0	0	1	\$ 24,434,827	\$ 3,400,000	\$ 255,000	\$ 20,779,827	\$ 498,670	\$ 424,078	\$ 8,530,000	\$ 8,530,000	\$ -	\$ 177,708	\$ -	Veterans	
					664	537	277	57	0	19	\$ 297,840,399	\$ 15,174,363	\$ 23,907,752	\$ 258,758,284			\$ 100,009,110	\$ 93,929,110	\$ 5,700,000				
					80	54	31				\$ 29,784,040		\$ 2,988,469	\$ 25,875,828	\$ 496,381	\$ 430,872	\$ 10,000,911						
Projects Not Being Recommended At This Time																							
Figueroa Apartments	Manuel Oquendo	12602 S FIGUEROA ST	15	MHP Program	5	5	2	0	0	0	\$ 1,800,000					\$ 380,000	\$ 900,000	\$ -	\$ -	\$ 180,000	\$ -	Family	
400 E Florence	LINC Housing Corporation	410 E FLORENCE AVE	9	4%	51	50	25	0	0	1	\$ 22,368,476		\$ 2,005,000	\$ 20,363,476	\$ 438,598	\$ 399,284	\$ 11,000,000	\$ 11,000,000	\$ -	\$ 220,000	\$ -	Individuals	
West Third Apartments Preser	Figueroa Economical Housing Develo	1900 W 3RD ST	1	4%	137	136	63	0	0	1	\$ 42,772,025					\$ 312,205	\$ 12,000,000	\$ -	\$ 88,235	\$ -	Veterans		
Western Avenue Apartments	Figueroa Economical Housing Develo	5501 S WESTERN AVE	8	4%	34	33	17	0	0	1	\$ 12,003,942					\$ 353,057	\$ 6,787,742	\$ -	\$ -	\$ -	Veterans		
Building 205	Figueroa Economical Housing Develo	11301 Wilshire BLVD #205	11	4%	67	66	66	0	0	1	\$ 37,994,432					\$ 567,081	\$ 12,000,000	\$ -	\$ 181,818	\$ -	Veterans		
Building 208	Figueroa Economical Housing Develo	11301 Wilshire BLVD #208	11	4%	54	53	53	0	0	1	\$ 35,355,102					\$ 654,724	\$ 11,880,000	\$ -	\$ -	\$ -	Veterans		
VA Building 209 Preservation	Figueroa Economical Housing Develo	11301 Wilshire Blvd #209	11	4%	55	53	53	0	0	2	\$ 11,066,020					\$ 201,200	\$ 4,053,841	\$ -	\$ -	\$ -	Special Needs		
					403	396	279	0	0	7	\$ 163,359,997	\$ -	\$ 2,005,000	\$ 20,363,476			\$ 58,621,583	\$ 11,000,000	\$ -				
					58	57	40				\$ 23,337,142					\$ 412,409							
					1461	1157	667	206	72	35	\$ 693,976,891	\$ 18,838,863	\$ 43,482,020	\$ 484,328,987			\$ 217,030,893	\$ 151,279,647	\$ 17,749,463				
					1058	761	388	206	72	28	\$ 536,616,894	\$ 18,838,863	\$ 41,477,020	\$ 473,965,511			\$ 158,469,110	\$ 146,279,647	\$ 17,749,463				

Red indicates City Owned land

Attachment

B

(Term Sheet-283 West Imperial Highway)

**283 West Imperial Highway
Disposition and Development Agreement
Key Terms and Conditions**

1. Parties to the Agreement:

The Disposition and Development Agreement (“DDA”) for the Isla de Los Angeles project shall be entered by and between the City of Los Angeles, a municipal corporation (“City”), and Clifford Beers Housing, Inc., a California nonprofit public benefit corporation (CBH), and American Family Housing (AFH), a California nonprofit public benefit corporation. CBH and AFH are collectively referred to as “Developer”.

2. City Site Description:

The following parcel of land are currently owned by the City:

	Address	APN	Parcel Size (Sf)	Legal Description
City Site	283 W. Imperial Highway	607-402-4900	28,396.0	Attachment A
Street Vacation	Athens Way	N/A	8,849.6	N/A
Total			37,245.6	

3. City Site History:

On January 23, 1970, the Site was transferred from Security First National Bank to the City of Los Angeles. On October 15, 1990, the “right of way for electric railway H.E. Huntington” was condemned for public uses and transferred over to the City of Los Angeles by a court judgement. Prior to acquisition, the Site was vacant. The Lessee is requesting that Athens Way be vacated so that the total size are will be 37,245.6 square feet.

The Site is located on a triangular-shaped lot in South Los Angeles, adjacent to the 110 and 105 freeway interchanges.

4. Development Plan Summary:

The Development Plan shall be implemented and completed as described below, subject to receipt by the Developer of approval by the City of all discretionary land use applications; and the receipt by Developer of the necessary enforceable financing commitments:

- a. Project Summary:
 - b. Project Site Size: 37,245.6 square feet of Land Area.
 - c. Gross Building Area: Approximately 37,612 square feet (25,440 sf. gross living area, 3,500 sf. leasing office/community space, 999 sf. of ground floor commercial space, and 7,673 sf. of common area/circulation).
 - d. Unit Mix: 54 studio units
 - e. Parking: Up to 15 spaces.
 - f. Target Population: Homeless and chronically homeless individuals.
 - g. ADA Requirements: A CASp will be retained for the Project, which will comply with all City requirements as listed in the draft HHH and managed pipeline regulations. At least 10% of the units comply with the Uniform Federal Accessibility Standards (UFAS) requirements for mobility accessibility and an additional 4% of the units comply with UFAS requirements for sensory accessibility.
 - h. Amenities: The enclosed amenities will include a community room, supportive and administration offices, laundry facilities and an incubator lab. The outdoor amenities will include a community park, courtyards, a rainwater collection system, edible gardens, and a small amphitheater. If the vacation of Athens Way is approved, the street will become a public

space featuring a combination of landscape area and open plaza space for farmer's markets and various other outdoor activities. All of the units will be furnished.

5. Ground Lease of the City Site:

The City agrees to ground lease to Developer and the Developer agrees to ground lease from the City, the lease hold interest in the City Site in accordance with the DDA. The Ground Lease will have a 99 year term.

6. Ground Rent for City Site:

The City agrees to ground lease the City Site to Developer and the Developer agrees to ground lease the City Site for the following below Fair Market Value rent:

- a. For the first 65 years of the Ground Lease (Initial Term), the Developer will pay the City a base annual ground lease payment of \$10,000 (Base Rent), to be increased annually by 1%;
- b. A residual receipts rent equal to the pro rata share of 50% of the residual receipts (Residual Receipts Rent) to be shared with other soft lenders.
- c. Upon conclusion of the Initial Term, the Ground Lease will automatically be extended for three 11 year terms, up to a maximum total least term of 99 years, and the Developer will pay the City a revised rent amount equal to the FMV of the "As-Is" leasehold interest in the Site based on an appraisal conducted within six months of the lease renewal date prepared by a City approved real estate appraiser (Extension Base Rent).
- d. City Ground Lease, including the Base Rent payments, and Regulatory Agreement will not be subordinated to the construction and permanent debt lenders of the Project.
- e. Residual Receipt Rent payments will be subordinated to construction and permanent debt lenders of the Project.
- f. If the affordability restrictions are no longer in place, then the Project will pay the full FMV lease payment.

7. Developer Pro Forma:

Attached ("Attachment B") is the current Developer Pro Forma for the Project.

8. Project Site Plan:

Attached ("Attachment C") is the current Site Plan for the Project.

9. Labor Rates:

The Project will incur federal Davis Bacon and state prevailing wages as required by Project funding sources. It is assumed that the Project will not be required to enter into a Project Labor Agreement.

10. Developer Fee:

The total developer fee is estimated at \$2,365,000, which is the maximum allowed under the TCAC and City underwriting guidelines. The Developer will defer approximately \$344,000 to be repaid with cash flow. The net cash to be received by the Developer is \$2,365,000, which is the maximum allowed by the City underwriting guidelines.

11. Social Services to be Provided at Project:

The Project will provide social services on-site. These services will be provided by a Los Angeles County authorized service provider. It is anticipated that American Family Housing will provide the following services:

- a. Service coordination and case management will be provided to the 53 households;
- b. Services will be tailored to formerly homeless individuals,.

12. Minimum Reserves:

- a. Capitalized Operating Reserves - \$316,000, estimated at six months of operating expenses and debt service payments.
- b. Annual Replacement Reserves – \$350 per unit.
- c. Transition Reserves – \$369,000.

13. Subordination:

The following summarizes the agreed upon subordination assumption for the City’s affordability restrictions and loan:

Description	Subordination
City TOC Affordability Restrictions	Unsubordinated
HHH Affordability Restrictions	Subordinated to TEB
City Ground Lease	Unsubordinated

14. Affordability Restrictions (See Attachment D):

With one unit set-aside for the on-site manager, the income and affordability requirements for the remaining units will be restricted for a minimum of 55 years from the Certificate of Occupancy (COO) by the following regulatory agreements:

- a. TCAC Regulatory Agreement:

	Income Restriction	Rent Restriction	Studio Units	Total Units
30% AMI	TCAC	TCAC	27	27
40% AMI	TCAC	TCAC	26	26
Total Units			53	53

- b. CDLAC Regulatory Agreement (40% at 60% AMI):

	Income Restriction	Rent Restriction	Studio Units	Total Units
50% AMI	TCAC	TCAC	0	0
60% AMI	TCAC	TCAC	22	22
Total Units			22	22

- c. HHH Regulatory Agreement:

	Income Restriction	Rent Restriction	Studio Units	Total Units
30% AMI – PSH / CH	TCAC	TCAC	27	27
40% AMI – PSH	TCAC	TCAC	26	26
Total Units			53	53

- d. City TOC Regulatory Agreement – Tier 4 (Per Health and Safety Code Definitions):

	Income Restriction	Rent Restriction	Studio Units	Total Units
Very-Low Income HCD	\$50105	\$50053	0	0
Lower Income HCD	\$50079.5	\$50053	14	0
Total Units			14	14

15. Financing Plan:

Description	Entity	Amount
Predevelopment Loan	CSH and Private Loan Funds	\$657,000
Tax-Exempt Bonds	CDLAC/Issued by City of LA	
Construction		\$9,339,000
Permanent		\$1,525,000
4% Tax Credits	TCAC/TBD Investor	\$6,956,000
HHH Loan	City of LA	\$11,660,000
Deferred Developer Fee	Developer	\$344,000
Project-Based Section 8	HACLA	53 Vouchers

16. Milestones:

The Developer anticipates applying for the funds listed below or an alternative source(s) providing an equal amount of sources to the project by the following dates:

Action	Date
DDA Executed	February 2018
Entitlements Secured	April 2018
HHH PSH Loan Awarded	January 2018
HACLA PBV Award	January 2018
City TEB Application / Approval	June 2018 / July 2018
CDLAC Application / Award	July 2018 / September 2018
4% TCAC Application / Award	August 2018 / October 2018
Partnership Closing	December 2018
Financing / Land Closing	December 2018
Construction Commences / Completed	December 2018 / September 2019
Placed in Service Date	October 2019

Signatures on the next page

17. Agreement of Key Terms and Conditions:

This agreement of key terms and conditions is not a contract nor is it a guarantee of a funding commitment by the City. It is a worksheet that will be utilized to prepare the Disposition and Development Agreement, Ground Lease and associated City contractual documents.

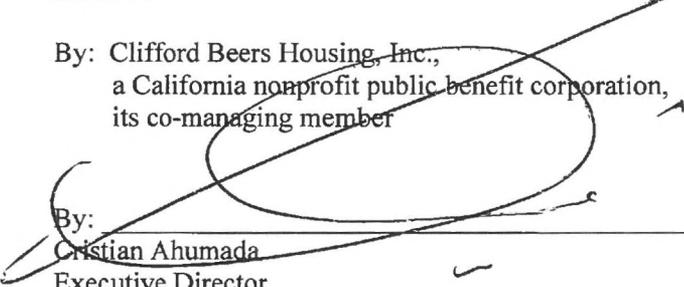
HCIDLA

City of Los Angeles Housing and Community Investment Department

By: _____ Date: _____
Sean L. Spear
Assistant General Manager

Developer
CBH / AFH

By: Clifford Beers Housing, Inc.,
a California nonprofit public benefit corporation,
its co-managing member

By: _____ Date: 1.25.18

Cristian Ahumada
Executive Director

By: American Family Housing,
a California nonprofit public benefit corporation,
its co-managing member

By: _____ Date: _____
Milo Peineman
Chief Executive Officer

Attachment A	City Site Legal Description
Attachment B	Developer Pro Forma
Attachment C	Site Plan
Attachment D	Affordability Mix Summary

17. Agreement of Key Terms and Conditions:

This agreement of key terms and conditions is not a contract nor is it a guarantee of a funding commitment by the City. It is a worksheet that will be utilized to prepare the Disposition and Development Agreement, Ground Lease and associated City contractual documents.

HCIDLA
City of Los Angeles Housing and Community Investment Department

By: _____ Date: _____
Sean L. Spear
Assistant General Manager

Developer
CBH / AFH

By: Clifford Beers Housing, Inc.,
a California nonprofit public benefit corporation,
its co-managing member

By: _____ Date: _____
Cristian Ahumada
Executive Director

By: American Family Housing,
a California nonprofit public benefit corporation,
its co-managing member

By:  _____ Date: 1-26-2018
Milo Peinemana
Chief Executive Officer

Attachment A	City Site Legal Description
Attachment B	Developer Pro Forma
Attachment C	Site Plan
Attachment D	Affordability Mix Summary

ATTACHMENT A
283 W. IMPERIAL HIGHWAY
CITY SITE LEGAL DESCRIPTION

APN: 6074-24-900

SITUS: 283 IMPERIAL HIGHWAY

A STRIP OF LAND 80 FEET WIDE SITUATE IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND BEING ALL THAT PORTION OF THAT CERTAIN STRIP OF LAND 80 FEET IN WIDTH CONVEYED BY LOS ANGELES TRUST COMPANY TO H. E. HUNTINGTON BY DEED RECORDED IN [BOOK 3665 PAGE 62](#) OF DEEDS, RECORDS OF LOS ANGELES COUNTY, DESCRIBED AS FOLLOWS, TO-WIT:

BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID STRIP OF LAND 80 FEET IN WIDTH CONVEYED BY LOS ANGELES TRUST COMPANY TO H. E. HUNTINGTON; THENCE NORTH 89° 38' EAST ALONG THE SOUTHERLY LINE OF SAID STRIP OF LAND 80 FEET IN WIDTH, 81.64 FEET; THENCE NORTH 11° 10' 30" EAST ALONG THE EASTERLY LINE OF SAID STRIP OF LAND 80 FEET IN WIDTH 649.7 FEET A LITTLE MORE OR LESS TO A POINT IN THE PROLONGATION OF THE SOUTHERLY LINE OF HOMEWARD AVENUE, AS SAID AVENUE IS SHOWN UPON THE MAP OF BOWEN'S MAIN, MONETA AND FIGUEROA TRACT, RECORDED ON PAGE [11 IN BOOK 85](#) OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER, IN SAID COUNTY OF LOS ANGELES; THENCE SOUTH 89° 31' WEST ALONG THE PROLONGATION OF THE SOUTHERLY LINE OF SAID HOMEWARD AVENUE 81.67 FEET TO A POINT IN THE WESTERLY LINE OF SAID STRIP OF LAND 80 FEET IN WIDTH; THENCE SOUTH 11° 10' 30" WEST ALONG THE WESTERLY LINE OF SAID STRIP OF LAND 80 FEET IN WIDTH 649.39 FEET A LITTLE MORE OR LESS TO THE POINT OF BEGINNING.

Isla de Los Angeles

Sources of Funds

Construction						
		<i>Total</i>	<i>Per Unit</i>	<i>Int Rate</i>		<i>Term (mo)</i>
Construction Loan	\$	9,339,332	\$ 172,951	3.75%		24
	\$	-	\$ -			
HHH	\$	6,996,000	\$ 129,556			
HCID Acquisition Loan	\$	-	\$ -	0%		
GP Capital	\$	100	\$ 2			
LP Capital	\$	1,043,366	\$ 19,322	0%		
Costs Deferred During Construction	\$	-	\$ -			
Deferred Costs	\$	3,106,676	\$ 57,531			
	\$	-	\$ -			
	\$	-	\$ -			
Total Financing	\$	20,485,474	\$ 379,361			
Total Development Cost	\$	20,485,474	\$ 379,361			
Surplus/(Gap)	\$	-	\$ -			

Permanent						
		<i>Total</i>	<i>Per Unit</i>	<i>Int Rate</i>	<i>OID Int Rate</i>	<i>Term (yr)</i>
Conventional	\$	1,525,000	\$ 28,241	5.25%		15
	\$	-	\$ -		0.00%	55
HHH	\$	11,660,000	\$ 215,926		0.00%	55
HCID Acquisition Loan	\$	-	\$ -		0.00%	55
	\$	-	\$ -		0.00%	55
	\$	-	\$ -			55
	\$	-	\$ -			55
GP Equity	\$	-	\$ -			
GP Capital	\$	100	\$ 2			
LP Capital	\$	6,955,776	\$ 128,811			
Deferred Developer Fee	\$	344,598	\$ 6,381			
	\$	-	\$ -			
Total Financing	\$	20,485,474	\$ 379,361			
Total Development Cost	\$	20,485,474	\$ 379,361			
Surplus/(Gap)	\$	(0)	\$ (0)			

Isla de Los Angeles

Uses of Funds

Total Building Square Footage **31,624**
 Commercial Square Footage **999**
 Commercial % based on hard cost **3.16%**
96.84% Residential **3.2%** Commercial

Development Costs	Total		Per Unit		Eligible Basis		Depreciable	
					Residential		Residential	Non-Residential
					NC/Rehab	Acquisition		
ACQUISITION								
Total Purchase Price	0	0						
Loan Assumption (existing SUHRP & P&I)	0	0						
Legal: Acquisition	0	0						
Title, Recording & Escrow--Acquisition	0	0						
Demolition	0	0						
Subtotal	0	0	0	0	0	0	0	0
HARD COSTS	\$12,796,665.00							
O&P/Gen Cond/Ins&Bon %	11.50%							
Toxics Abatement		0		0				
On-site Improvements (paseo, living lung, etc)	1,835,000	33,981	1,777,032		1,777,032		57,968	
Construction Costs (Modular)	7,040,000	130,370	6,817,605		6,817,605		222,395	
General Conditions	400,000	7,407	387,364		387,364		12,636	
Construction Costs (Crane, grading, site prep)	2,200,000	40,741	2,130,502		2,130,502		69,498	
Insurance & Bond	234,500	4,343	227,092		227,092		7,408	
Overhead & Profit	837,165	15,503	810,719		810,719		26,446	
Construction Contingency	704,000	13,037	681,761		681,761		22,239	
Subtotal	\$12,796,665	13,250,665	245,383	12,832,074	0	12,832,074	418,591	
SOFT COSTS								
Off-site Improvements (sidewalk imp, curbs & gutter, etc)	250,000	4,630	250,000		242,102		7,898	
Development Impact Fees	177,501	3,287	172,858		172,858		5,607	
Environmental Audit (Phase I, LBP, Asbest)	20,000	370	19,368		19,368		632	
Architecture (inc struc, MEP, civil)	453,000	8,389	438,690		438,690		14,310	
Architecture--Reimbursables/Add'l Svcs.	45,300	839	43,869		43,869		1,431	
Survey, Eng. & Other Design (landscape, acc	65,000	1,204	62,947		62,947		2,053	
Soils Report	50,000	926	48,420		48,420		1,580	
Appraisal	10,000	185	9,684		9,684		316	
Market Study	10,000	185	9,684		9,684		316	
Comm outreach		0	0		0		0	
Construction Management (Preconstruction)	\$ 5,000	25,000	463	24,210		24,210	790	
Construction Management (Construction)	\$ 7,000	56,000	1,037	54,231		54,231	1,769	
Deputy Inspector		60,000	1,111	58,105		58,105	1,895	
Relocation			0	0		0	0	
Consultants (Financial, Misc)	105,000	1,944	101,683		101,683		3,317	
Acquisition Loan Fees & Exp.	0	0	0		0		0	
Acquisition Loan Interest	0	0	0		0		0	
Predevelopment Loan Interest	109,498	2,028	109,498		109,498		3,317	
Predevelopment Fees & Exp	20,431	378	20,431		20,431		632	
Permit & Plan Check Fees	175,000	3,241	169,472		169,472		5,528	
Holding Costs & Security	5,000	93	0		0		0	
Const Loan Fees & Expenses	160,090	2,965	16,009		16,009		5,057	
Const Loan Interest	385,247	7,134	192,624		192,624		12,170	
Title, Recording, & Escrow--Construction	45,000	833	4,358		4,358		1,422	
Permanent Loan Fees & Expenses	15,250	282	0		0		482	
Insurance	85,000	1,574	61,736		61,736		2,685	
Real Estate Taxes	40,000	741	38,736		38,736		1,264	
Soft Cost Contingency	250,000	4,630	242,102		242,102		7,898	
TCAC Fees	85,969	1,592	0		0		0	
LA County Monitoring Fee	0	0	0		0		0	
Legal: Construction	25,000	463	24,210		24,210		790	
Lender	45,000	833	43,578		43,578		1,422	
Organizational	15,000	278	0		0		0	
Syndication	65,000	1,204	0		0		0	
Syndication Consultant	80,000	1,481	0		0		0	
Syndication due diligence	50,000	926	0		0		0	
LEED compliance costs	60,000	1,111	58,105		58,105		1,895	
Furnishings	\$ 5,000	265,000	4,907	265,000		265,000	0	
Replacement Reserve		0	0		0		0	
Marketing / Leasing / Rent-Up Reserve	59,573	1,103	0		0		0	
Reserve: Operating	316,352	5,858	0		0		0	
Reserve: Transition	369,101	6,835	0		0		0	
Reserve: HCD CSR	0	0	0		0		0	
HCID Construction/PreDevInterest	419,760	7,773	409,266		409,266		10,494	
HCID Bond Monitoring Fees During Construction	11,696	217	11,696		0		0	
Bond Fees	300,000	5,556	0		0		9,477	
Legal: Permanent Closing	50,000	926	0		0		0	
Title, Recording, & Escrow--Permanent	10,000	185	0		0		0	
Audit/Cost Certification	25,000	463	0		0		0	
Subtotal	4,869,768	90,181	2,960,570	0	2,531,710		102,497	
Developer Fee	2,365,041	43,797	2,500,000		74,712		19,541	
Developer Fee (Commercial)		0	0		0		58,622	
Total Development Cost	20,485,474	379,361	18,292,644	0	15,438,497	579,710	579,710	
Syndication Costs	(\$195,000.00)	(\$2,685.19)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Net of Syndication Costs	\$20,290,474		\$376,675	\$18,292,644	\$0	\$15,438,497	\$579,710	
Not including developer fee	\$ 17,925,433.2	\$	332,878.4	\$ 15,792,644.1	\$	15,363,785	\$ 501,547	

Isla de Los Angeles

Tax Credit Calculations

	Federal		State		
	Acquisition	NC/Rehab	Acquisition	NC/Rehab	
Projected Eligible Basis	0	18,292,644	0	0	
Federal: Acquisition	0				N
Rehab/Constr.		0			Y
State: Acquisition			0		N
Rehab/Constr.				0	Y
Subtotal Eligible Basis	0	18,292,644	0	0	
Less: Ineligible Amounts					
Subtract BMIR Federal Finar		0			N
Less: Voluntary Deductions	0	0	0	0	
Total Basis Incurred	0	18,292,644	0	0	
Less: Eligible Basis Voluntarily Excluded	0		0	0	
Threshold Basis Limit	33,455,208	18,292,644			
Eligible Basis	0	18,292,644	0	0	
High Cost Area Adjustment		130%		100%	
Adjusted Eligible Basis		23,780,437		0	
Applicable Fraction	100%	100%	100%	100%	
Qualified Basis (eligible)	0	23,780,437	0	0	
Voluntary Basis Reduction	N	0	0	0	0% <---- Credit Reduction
Qualified Basis (adjusted)	0	23,780,437	0	0	
Credit Rate	3.30%	3.25%	13.00%	13.00%	
Total Credits (Assumed)	0	772,864	0	0	
Total Credits (Allocated)*	0	772,864	0	0	776289
Total Credits	0	772,864	0	0	
Credit Price	\$ 0.90				
Projected Equity	\$ 0.70	\$0	\$6,955,776	\$0	\$0
Per Credit TCAC Loan Amount*		\$0.00			
TCAC Loan		\$0			
Total Equity		\$6,955,776			

Average Affordability for Qualified Units

	Unit Mix	Utility Allowances
Studio	54	18
1 BR	0	26
2 BR	0	33
3 BR	0	40
4 BR	0	52
Total Unit Count	54	

Residential Income

Tax Credit Eligible - Tier 1:		30% AMI								
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER UNIT MONTHLY GROSS RENT	PER UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT		
0 BR	24	450	10800	30%	473	455	10920	131040		
1 BR		450	0	30%	507	481	0	0		
2 BR		700	0	30%	608	575	0	0		
3 BR		1000	0	30%	703	663	0	0		
4 BR		1100	0	30%	784	732	0	0		
TOTAL	24		10800				10920	131040		

Tax Credit Eligible - Tier 2:		40% AMI								
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER UNIT MONTHLY GROSS RENT	PER UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT		
0 BR	29	450	13050	40%	630	612	17748	212976		
1 BR		450	0	40%	676	650	0	0		
2 BR		700	0	40%	810	777	0	0		
3 BR		1000	0	40%	937	897	0	0		
4 BR		1100	0	40%	1046	994	0	0		
TOTAL	29		13050				17748	212976		

Tax Credit Eligible - Tier 3:		50% AMI								
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER UNIT MONTHLY GROSS RENT	PER UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT		
0 BR		350	0	50%	788	770	0	0		
1 BR		450	0	50%	845	819	0	0		
2 BR		700	0	50%	1013	980	0	0		
3 BR		1000	0	50%	1171	1131	0	0		
4 BR		1100	0	50%	1307	1255	0	0		
TOTAL	0		0				0	0		

Tax Credit Eligible - Tier 4:		60% AMI								
UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER UNIT MONTHLY GROSS RENT	PER UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT		
0 BR		350	0	60%	946	928	0	0		
1 BR		450	0	60%	1014	988	0	0		
2 BR		700	0	60%	1216	1183	0	0		
3 BR		1000	0	60%	1405	1365	0	0		
4 BR		1100	0	60%	1568	1516	0	0		
TOTAL	0		0				0	0		

Manager Units

UNIT TYPE	NUMBER	PER UNIT SQ FT	TOTAL SQ FT	% MEDIAN INCOME AFFORDABLE	PER UNIT MONTHLY GROSS RENT	PER UNIT MONTHLY NET RENT	TOTAL MONTHLY NET RENT	TOTAL ANNUAL NET RENT
0 BR	1	450	450			0	0	0
1 BR		450	0			0	0	0
2 BR		700	0			0	0	0
3 BR		1000	0			0	0	0
4 BR		1100	0			0	0	0
TOTAL	1		450				0	0

Subsidy								
---------	--	--	--	--	--	--	--	--

UNIT TYPE	NUMBER	INCOME TIER	PER UNIT MONTHLY NET RENT	PER UNIT MONTHLY NET SUBSIDY RENT	PER UNIT MONTHLY PREMIUM	TOTAL MONTHLY SUBSIDY PREMIUM	TOTAL ANNUAL SUBSIDY PREMIUM
0 BR	24	30%	455	1156	701	16824	201888
0 BR	29	40%	612	1156	544	15776	189312
0 BR		50%	770	0	0	0	0
1 BR		30%	481	0	0	0	0
1 BR		40%	650	0	0	0	0
1 BR		50%	819	0	0	0	0
2 BR		30%	575	0	0	0	0
2 BR		40%	777	0	0	0	0
2 BR		50%	980	0	0	0	0
3 BR		30%	663	0	0	0	0
3BR		40%	897	0	0	0	0
3BR		50%	1131	0	0	0	0
4 BR		30%	732	0	0	0	0
4BR		40%	994	0	0	0	0
4BR		50%	1255	0	0	0	0
TOTAL SUBSIDIZED UNITS	53						
SUBSIDY PREMIUM						32600	391200
TOTAL - BASE RENT PLUS PREMIUM						61268	735216

ISLA DE LOS ANGELES
 CONCEPTUAL COST ESTIMATE
 December 2017



CONCEPTUAL ESTIMATE		
CSI FORMAT	Description	Estimate
DIVISION 01	GENERAL REQUIREMENTS Job Site Facilities & Maintenance	\$400,000.00
DIVISION 02	EXISTING CONDITIONS Demolition & Waste Disposal	\$50,000.00
DIVISION 03	CONCRETE Structural Concrete Slab & Footings	\$640,000.00
DIVISION 04	MASONRY Site Walls, Planters, etc.	\$92,000.00
DIVISION 05	METALS Containers, Structural Steel, Metal Deck, Stairs & Miscellaneous Metals	\$1,834,000.00
DIVISION 06	WOODS, PLASTICS & COMPOSITES Basement Damp Proofing, Vapor Barriers, Roofing & Insulation	\$364,000.00
DIVISION 07	THERMAL & MOISTURE PROTECTION Basement Damp Proofing, Vapor Barriers, Roofing & Insulation	\$1,248,000.00
DIVISION 08	OPENINGS Operable Walls, Custom Entry Doors, Vestibule Glazing & Skylight	\$1,363,000.00
DIVISION 09	FINISHES Drywall, Paint, Floor Sealing, Floor Refinishing	\$1,052,000.00
DIVISION 21	FIRE SUPPRESSION Museum Fire Sprinkler System	\$120,000.00
DIVISION 22	PLUMBING New Roof Drains & Area Drains	\$694,000.00
DIVISION 23	HVAC Museum Heating & Cooling System	\$426,000.00
DIVISION 26	ELECTRICAL Museum Electrical System	\$638,000.00
DIVISION 27	COMMUNICATIONS Data, Voice, AV & Alarms	\$138,000.00
DIVISION 32	EXTERIOR IMPROVEMENTS Concrete Paving, Planting & Irrigation	\$1,835,000.00
CONSTRUCTION COST ESTIMATED SUBTOTAL *		\$10,894,000.00

PROJECT SUPERVISION & OVERHEAD ESTIMATE	\$798,000.00
GENERAL LIABILITY INSURANCE ESTIMATE & BOND	\$234,500.00
CONSTRUCTION + SOFT COSTS ESTIMATED TOTAL	\$11,926,500.00

* DISCLAIMER Estimated costs are approximations based on preliminary concept drawings and a provisional interpretation of cost data.

ATTACHMENT D
283 IMPERIAL HIGHWAY
SUMMARY OF AFFORDABILITY RESTRICTIONS

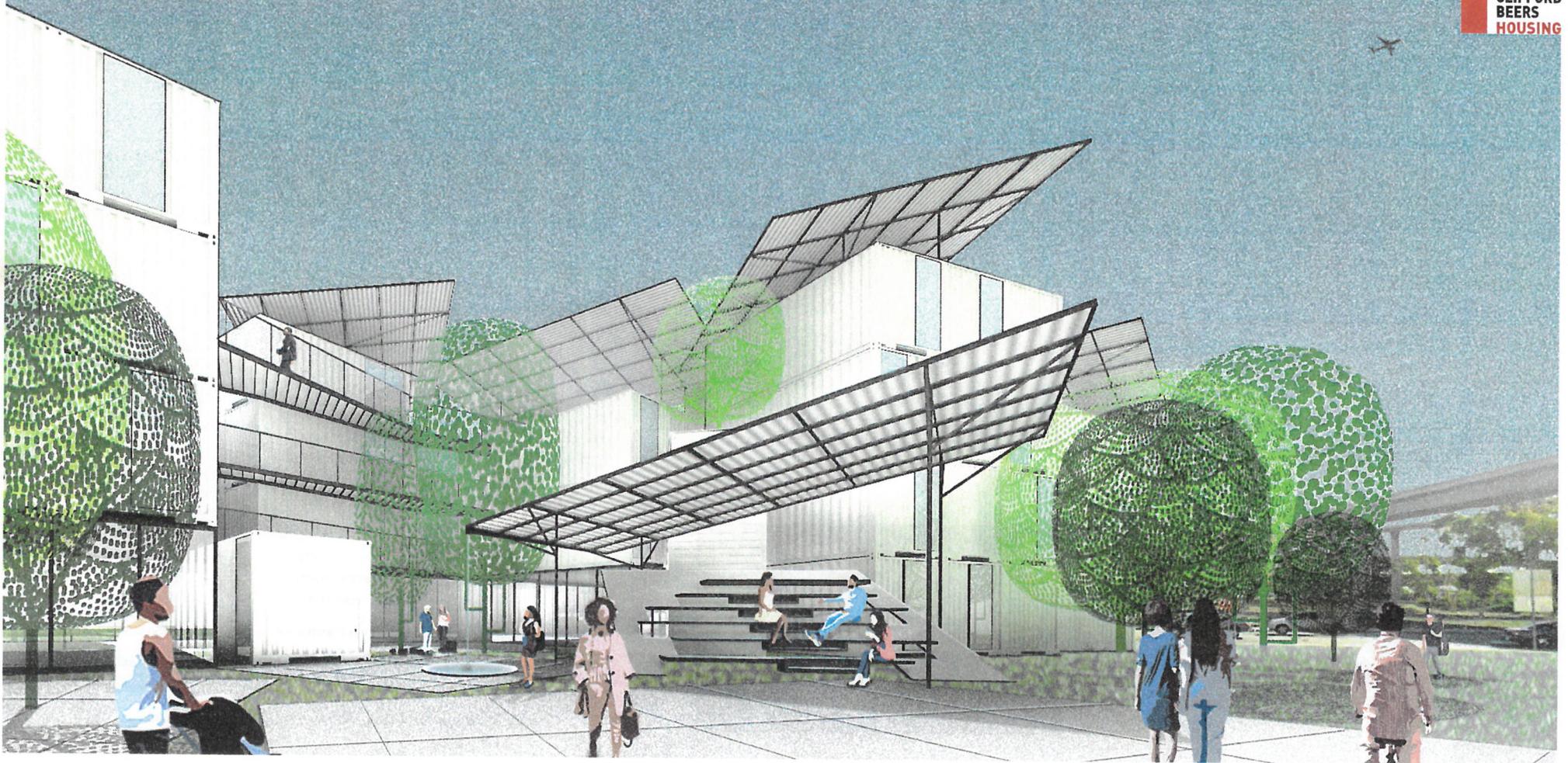
Based on 2017 Rents	Studio Units	
<u>30% TCAC/, 60% CDLAC / 30% HHH-CH / Lower TOC</u>		
Number of Units		14
30% AMI TCAC Rent		\$455
60% AMI CDLAC Rent		\$928
30% AMI HHH-CH Rent		\$455
Lower Income TOC Rent		\$662
PBV Vouchers		Yes
<i>Applicable Rent</i>		\$455
<u>30% TCAC/, 60% CDLAC / 30% HHH-CH</u>		
Number of Units		8
30% AMI TCAC Rent		\$455
60% AMI CDLAC Rent		\$928
30% AMI HHH-CH Rent		\$455
PBV Vouchers		Yes
<i>Applicable Rent</i>		\$455
<u>30% TCAC/ 30% HHH-CH</u>		
Number of Units		5
30% AMI TCAC Rent		\$455
30% AMI HHH-CH Rent		\$455
PBV Vouchers		Yes
<i>Applicable Rent</i>		\$455
<u>40% TCAC/ 40% HHH-PSH</u>		
Number of Units		26
40% AMI TCAC Rent		\$613
40% AMI HHH-PSH Rent		\$613
PBV Vouchers		Yes
<i>Applicable Rent</i>		\$613

ISLA DE LOS ANGELES

DECEMBER 22, 2017

L
OH
A

CLIFFORD
BEERS
HOUSING



283 W. IMPERIAL HIGHWAY
LOS ANGELES, CA 90016
DECEMBER 22, 2017

LOREAN O'NEILBY ARCHITECTS | 3701 W. Jefferson Blvd., Los Angeles, CA 90018 | 310.485.2143 | 310.485.2193 | www.loreanof.com

COVER SHEET

A0

PROJECT ADDRESS: 283 W IMPERIAL HIGHWAY, LOS ANGELES CA 90061

EXISTING ZONING: C2-1 (COMMERCIAL)

EXISTING USE: VACANT LOT

PROPOSED USE: AFFORDABLE HOUSING WITH COMMUNITY AMMENITY SPACES

LEGAL DESCRIPTION: APN 6074024900

COMMUNITY PLAN: SOUTHEAST LOS ANGELES

LOT SIZE: 17,384.5 SF

TRANSIT ORIENTED COMMUNITIES: TIER 4

FRONT SETBACK: 15 FT
SIDE SETBACK: 7 FT
REAR SETBACK: N/A

FAR RATIO: 1.5:1 BASE, 4.25 w/ TOC BONUS

ALLOWABLE FAR: [17,384.5] x 4.25 = 73,884 SF

MIN. AREA PER D.U.: 400 SF PER D.U., BASE, 80% INCREASE w/ TOC BONUS

ALLOWABLE DENSITY: [17,384.5] / 400 = 43 BASE + 80% = 77 ALLOWABLE

MAX. HEIGHT: NONE

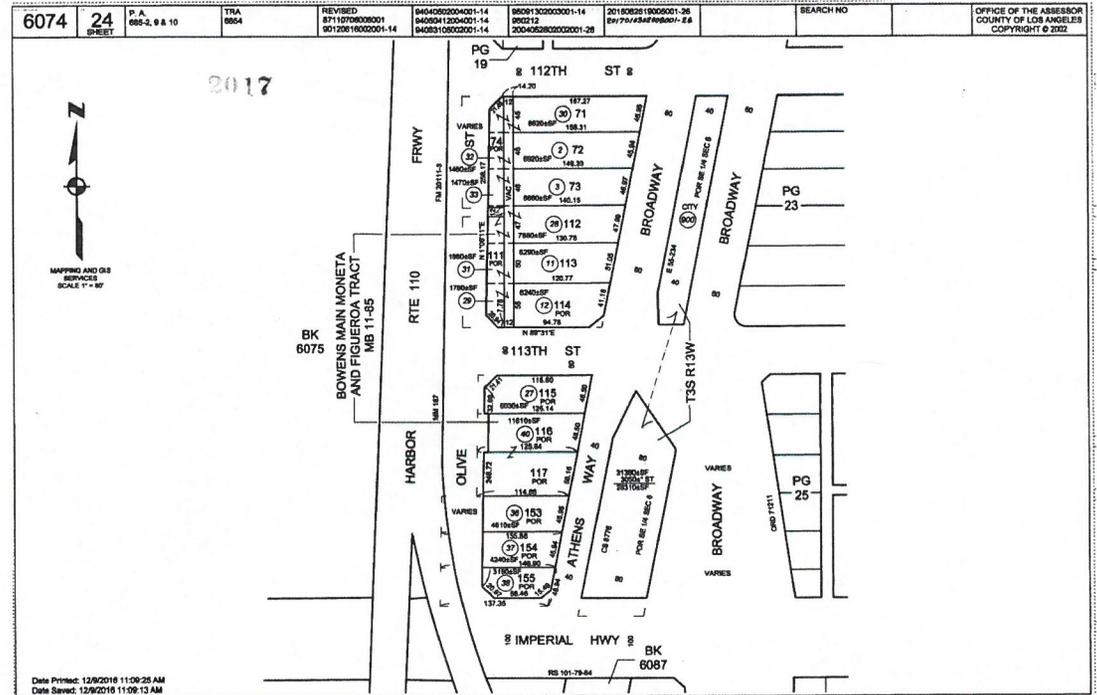
PARKING REQUIRED: NONE (TOC TIER 4 FOR 100% AFFORDABLE)



VICINITY MAP



VICINITY AERIAL



PARCEL MAP

NARRATIVE DESCRIPTION

LOHA's proposal for Isla de Los Angeles is a unique opportunity to provide a healthy, safe, dignified place for the formerly homeless to live. The design addresses and facilitates the needs of the owners and end-users through carefully considered programming, site planning and design strategies. LOHA proposes a vibrant community that offers programming including – edible gardens, space for a farmer's market, a small lab for start-up testing, the making and selling of goods, programs to promote healthy eating and fitness, job training, etc.

Sited on a triangular-shaped lot in South Los Angeles, Isla de Los Angeles is located adjacent to the iconic 110 and 105 freeway interchanges that integrate three modes of transportation--light-rail trains, high-occupancy vehicles and individual cars--into one giant intersection. The interchange offers transportation accessibility to residents, including Metro Green Line tracks, direct HOV and Metro ExpressLanes connectors, and the Harbor Transitway.

Yet while transportation accessibility is vital for residents, the design thoughtfully addresses the health concerns that come with living in the shadow of a large transport artery. The project therefore utilizes standard building filtration and landscaping to create a 'green-lung' that filters vehicle pollutants. The building is also connected to its environment through a rainwater collection system. Roof canopies above the units not only provide shade to exterior public spaces, but also funnel rainwater into storage tanks displayed on the site.

LOHA's design for Isla de Los Angeles aims to create an environment that encourages health and community, acknowledging that successful social spaces are developed through a variety of planned and organic strategies. While the surrounding neighborhood of low-rise residential housing is bestowed with certain resources, such as transportation and schools, it is deprived of public open space and access to healthy foods. The project offers garden plots for residents as a valuable resource for tenants to not only grow their own food, but to be educated about wholesome food sources and the personal benefits of urban gardening.

Additionally, in an effort to create to offer opportunities for social and civic interactions, LOHA's open green spaces within the project, including a pedestrian plaza/paseo space, provide an opportunity for people to congregate, socialize, and recreate away from busy vehicular activity.

Notes:

1. In accordance with HCIDLA's Architectural Guidelines, the project is in compliance with applicable accessibility standards contained in the Americans with Disabilities Act of 1990 (ADA), the Rehabilitation Act of 1973 (Section 504), the Uniform Federal Accessibility Standards (UFAS), and the Fair Housing Act.
2. The project will comply with HCIDLA regulations regarding accessibility, including the requirement that 4% of the total units are accessible to persons with sensory disabilities and 10% of the total units are accessible to persons with mobility disabilities.
3. At construction completion, accessibility certification from a State-certified specialist will be submitted indicating that the project meets applicable accessibility standards, with the understanding that such certification is required prior to the issuance of a notice of completion and release of final payment.

PROJECT PROGRAM

Enclosed Program

Residential Apartments	54 studio type units, all 450 SF 53 affordable units 1 unit for management staff
Community Room	600 SF A flexible community space for events, gatherings, classes, exercise, discussions and group meetings
Supportive and Administration Offices	4 offices, 100 SF each
Laundry Facilities	200 SF 6 washers and dryers each
Incubator Lab	200 SF A small workshop space for residents and community members to make things and test entrepreneurial ideas

Outdoor Program

Gathering Courtyard(s)	Small and large outdoor spaces for events, gatherings, classes, exercise, discussions and group meetings, and quiet contemplation
Rainwater Collection System	A system of roofs, gutters, pipes, channels and rainwater tanks that put the collection and storage of rainwater on display
Edible Gardens	Raised beds for growing fruits and vegetables, to be organized and managed by residents alongside property management and social service providers
Amphitheater	Small seating area and stage to host outdoor events, discussions, performances, etc
Public Pedestrian Street	Athens Way to become a public space featuring a combination of landscape area and open plaza space for farmer's markets and various other outdoor activities





VIEW WEST FROM IMPERIAL HIGHWAY



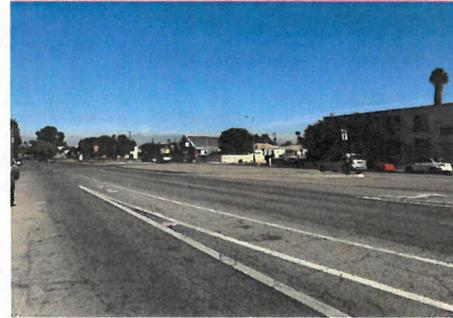
VIEW FROM IMPERIAL HIGHWAY



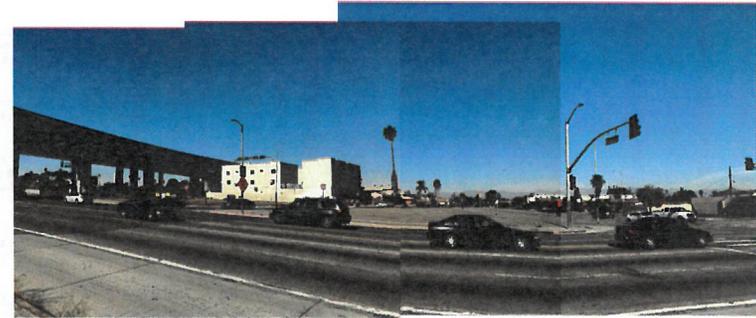
VIEW FROM S OLIVE ST & IMPERIAL HIGHWAY CORNER



VIEW FROM ATHENS WAY AND S BROADWAY KNIFE



VIEW NORTH FROM S BROADWAY



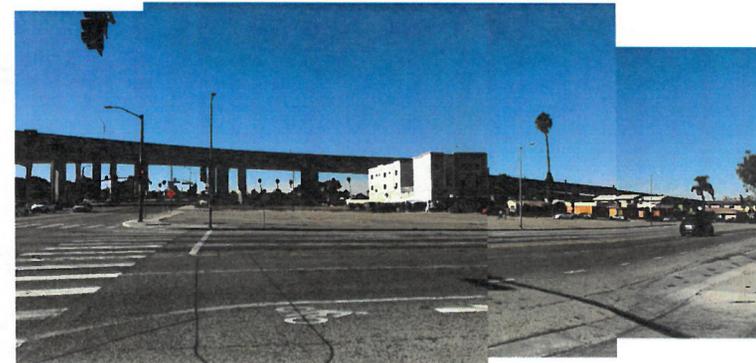
VIEW FROM IMPERIAL HIGHWAY



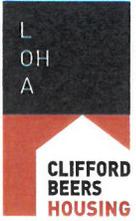
VIEW EAST FROM IMPERIAL HIGHWAY



VIEW FROM S BROADWAY & IMPERIAL HIGHWAY CORNER IN SITE



VIEW FROM S BROADWAY & IMPERIAL HIGHWAY CORNER





ATHENS WAY TO BE VACATED AND DEVELOPED AS PUBLIC PLAZA AND PARK SPACE AS PART OF PROJECT
EXISTING SIDEWALK TO REMAIN

110
FREEWAY
OVERPASS

SITE PLAN
SCALE: 1" = 1/16"
A4

283 W. IMPERIAL HIGHWAY
LOS ANGELES, CA 90016
DECEMBER 22, 2017

LORENY OVERBY ARCHITECTS 2101 W. Jefferson Blvd., Los Angeles, CA 90016 310.451.2163 310.451.2160 www.lorenyoverby.com

SOUTH BROADWAY



GROUND FLOOR PLAN
SCALE: 1" = 1/8"
AB

CLIFFORD BEERS HOUSING AND RETAIL - 283 W. IMPERIAL HIGHWAY, LOS ANGELES, CA 90016
12/22/17
www.cliffordbeers.com

283 W. IMPERIAL HIGHWAY
LOS ANGELES, CA 90016
DECEMBER 22, 2017



SOUTH BROADWAY



IMPERIAL HIGHWAY

ATHENS WAY

283 W. IMPERIAL HIGHWAY
LOS ANGELES, CA 90016
DECEMBER 22, 2017

LORCAN O'HEIR/ARCHITECTS 210 W. WILSON BLVD. LOS ANGELES, CA 90016 310.487.1363 310.487.0965 www.lohahousing.com

SECOND FLOOR PLAN
SCALE: 1" = 1/8"



SOUTH BROADWAY



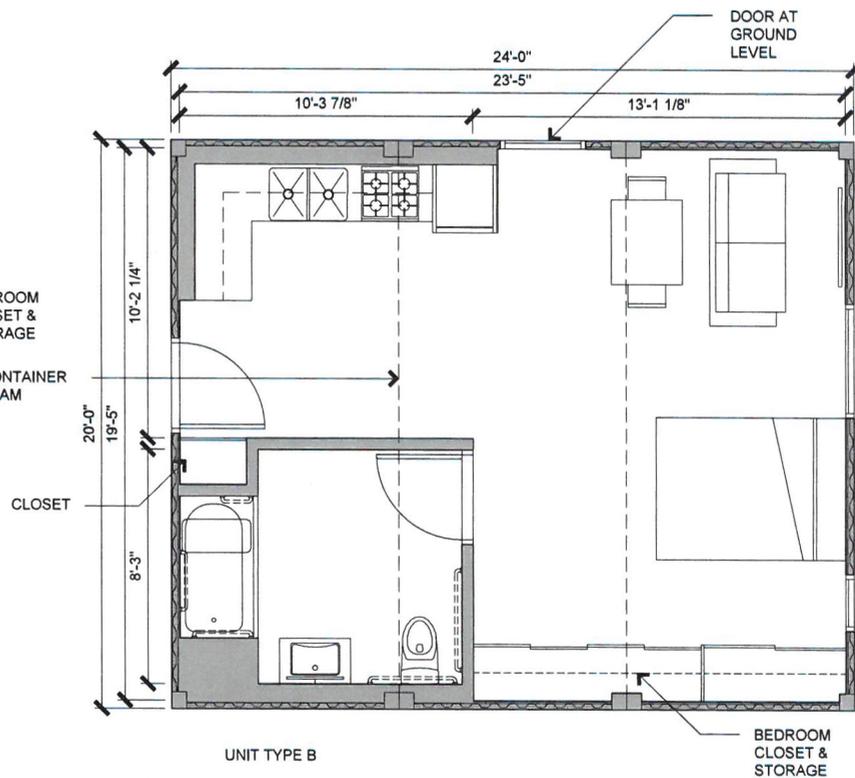
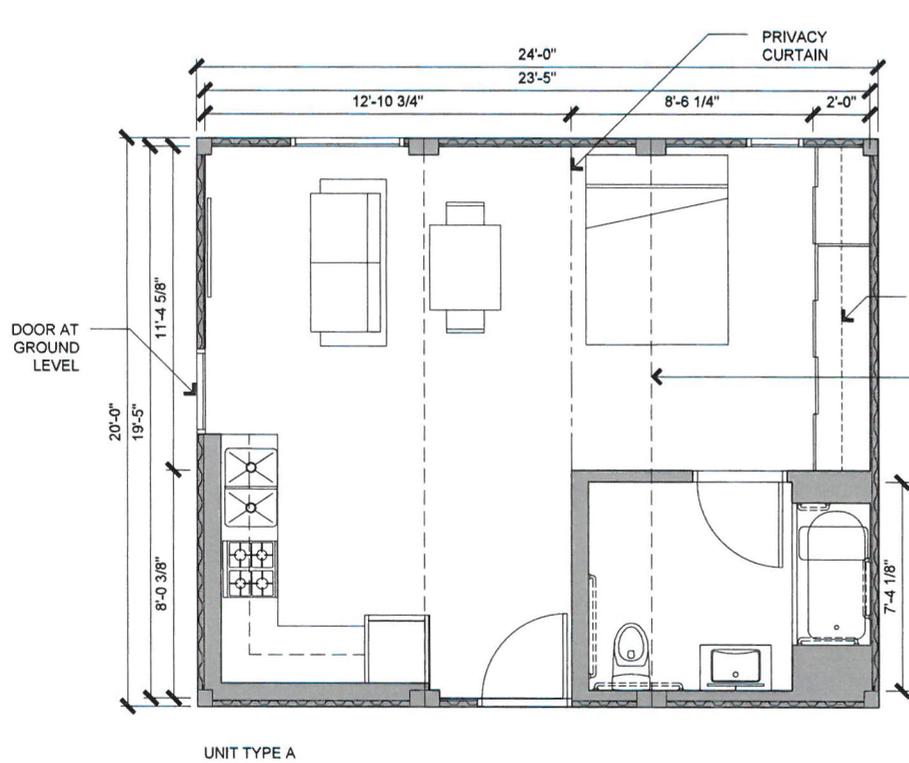
IMPERIAL HIGHWAY

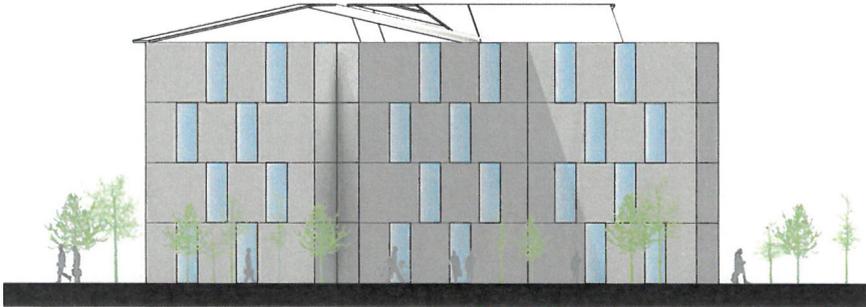
ATHENS WAY

283 W. IMPERIAL HIGHWAY
LOS ANGELES, CA 90016
DECEMBER 22, 2017

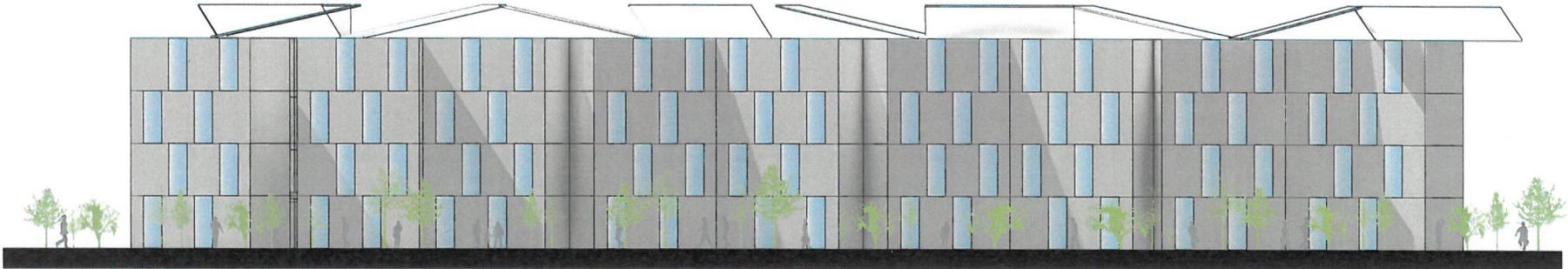
LOREAN O'HEILLY ARCHITECTS, INC. 1001 N. WILSON BLVD., LOS ANGELES, CA 90012 (323) 451-0303 (323) 451-0600 www.loreanohelly.com

THIRD FLOOR PLAN
SCALE: 1" = 1/8"
A7

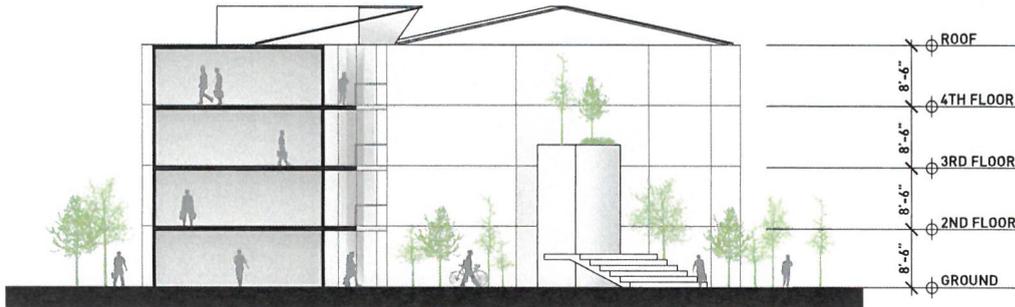




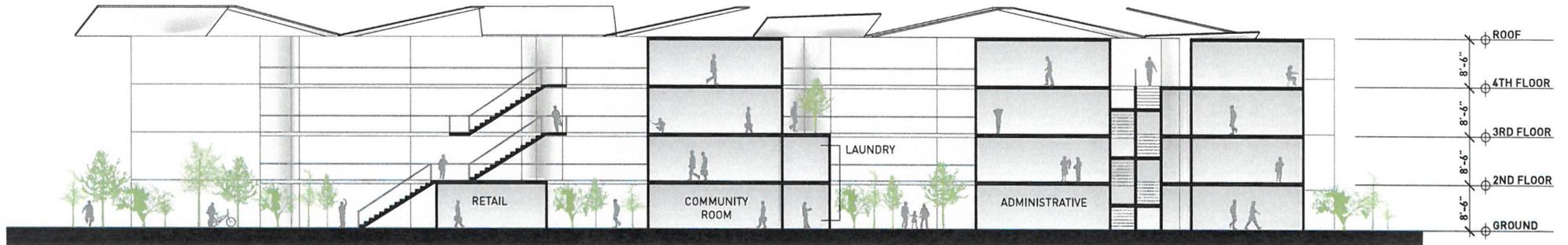
SOUTH FACADE | IMPERIAL HIGHWAY



EAST FACADE | SOUTH BROADWAY



TRANSVERSE SECTION



LONGITUDINAL SECTION

Attachment

C

(Disposition and Development Agreement
Template)

DISPOSITION AND DEVELOPMENT AGREEMENT

[PROJECT NAME]

by and among

CITY OF LOS ANGELES

(“City”),

and

[DEVELOPER]

a California Non-profit public benefit

(“Developer”)

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DISPOSITION AND DEVELOPMENT AGREEMENT

This Disposition and Development Agreement ("Agreement"), dated, for identification purposes only, as of _____, 20__, is entered into by and among _____, a [ORGANIZATION TYPE-i.e. California non-profit public benefit corporation] ("Developer"), and the CITY OF LOS ANGELES, acting by and through its Housing and Community Investment Department ("City" or "HCID"). HCID and Developer are sometimes individually referred to in this Agreement as "Party" and collectively referred to as "Parties."

ARTICLE 1. SUBJECT OF AGREEMENT.

1.1 Purpose of Agreement.

a. The purpose of this Agreement is to effectuate the disposition and development of certain real property commonly known as [ADDRESS]-_____
Los Angeles, and stabilize the neighborhood by providing, subject to all the terms and conditions of this Agreement, for the following: (i) the disposition of leasehold interest(s) in that certain real property currently owned in fee title by the City and located on the Site (defined below), to the Developer on the terms described in this Agreement and in the Ground Lease and related documents described below; and (ii) the redevelopment and operation of affordable housing on the Site as more particularly provided in this Agreement (the "Project"). The disposition, development, financing and use of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City of Los Angeles and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state, and local laws and requirements.

b. The Developer will lease the Site for Ninety Nine (99) year term and will pay rent to the City for a below Fair Market Value ("FMV") ground lease, as follows: (a) for the First Sixty Five (65) years of the Ground Lease ("Initial Term"), the Developer will pay the City a base annual ground lease payment of Ten Thousand Dollars (\$10,000) ("Base Rent"), to be increased at annual interest rate of One Percent (1%) for the duration of the Initial Term, and (b) a residual receipt rent equal to a pro rata share of Fifty Percent (50%) of the Residual Receipts ("Residual Receipt Rent") to be shared with the other soft lenders. Upon conclusion of the Initial Term, the Ground Lease will automatically be extended for three (3) eleven-year terms, up to a maximum total lease term of Ninety Nine (99) years, and the Developer will pay the City a revised rent amount equal to the FMV of the "As-Is" leasehold interest in the Site based on an appraisal conducted within six months of the lease renewal date prepared by a City approved real estate appraiser ("Extension Base Rent"); (b) City Ground Lease (including the Base Rent payments) and Regulatory Agreement will not be subordinated to the construction and permanent debt

lenders of the Project; the Residual Receipt Rent payments will be subordinate to construction and permanent debt lenders of the Project and (c) if the affordability restrictions are no longer in place, then the project will pay the full FMV lease payment.

c. It is the intention of the City and Developer that the Project shall develop new housing that will be operated and maintained as rental housing that will be affordable to and occupied by persons and families of Moderate, Low and Very-Low Income, as more particularly described in this Agreement, below.

d. [ENTER PROJECT INFORMATION: SAMPLE follows]
_____ When completed, the Project will consist of a total of Sixty Four (64) residential units, comprised of 58 one-bedroom units and 6 two-bedroom units, of which Sixty Two (62) units (58 one-bedroom and 4 two-bedroom units) will be designated as affordable units for rent to the residents with personal or household income not to exceed Moderate Income pursuant to California Health and Safety Code Section 50093, and another two (2) 2-bedroom units will be unrestricted for use by the two property managers on-site, as further described in the Regulatory Agreement, **Exhibit I**. The Project will include 63 parking spaces (53 residential spaces and 11 commercial spaces). The target population of the Project is the head of households aged fifty-five (55) years or older. The Project will include laundry on-site, community room with a kitchen, offices for property management and resident services staff. The Project site size will be about 40,934 square feet of land area, gross building area of approximately 43,300 square feet of residential area, and 30,000 gross square feet of below grade garage area.

e. This Agreement is entered into for the purpose of redeveloping the Site and providing affordable housing and not for speculation in landholding. The City's conveyance of a leasehold interest in the Site to the Developer for the development of the Site pursuant to this Agreement is in the vital and best interests of the Project Area and the health, safety, morals and welfare of the residents therein, and is in accord with the public purposes and provisions of applicable state and local laws.

f. The City intends by this Agreement to cause the redevelopment of the Site to occur and to preserve and improve the community's supply of affordable housing for Moderate, Low and Very Low Income Households. The City would not have agreed to convey any interest to the Developer but for Developer's agreement to develop, use and maintain the Site in conformity with this Agreement and other related documents described below.

g. Each Party hereby acknowledges that it will obtain valuable benefits from this Agreement. The Parties further acknowledge that in entering into this Agreement, each Party is relying on the performance of the other Party.

(i) The City acknowledges that the development and use of the Project on the Site by Developer pursuant to the terms and conditions of this Agreement

will further the purposes set forth in the California Redevelopment Law if applicable, and policies adopted by the City and the City Council by preserving and improving the community's supply of housing that is affordable to persons and families of low and moderate income helping to remedy the physical and economic conditions of blight (the "Project Area"), generating construction jobs in the development of the Project and permanent jobs in its operation, and encouraging further private investment that will benefit the entire Project Area.

(ii) Developer acknowledges that performance by the City of its obligations pursuant to the terms of this Agreement will provide to Developer and its principals significant and valuable financial benefits and that the City's performance of these obligations is in consideration of Developer's commitment to comply with the requirements of this Agreement and the ground lease for development, construction, operation and use of the Project on the Site. These benefits will include, but not be limited to: Developer's leasehold interest in the Site; Developer fees associated with the development of the Project; and property management fees associated with the long-term lease and management of the Project.

h. Except as otherwise explicitly set forth in this Agreement, in the Ground Lease, and/or in any documents evidencing the City financial assistance, if any, for this Project, the design, development, construction, and operation of the Project shall be at the sole cost and expense of the Developer.

1.2 Definitions.

Capitalized terms not otherwise defined in this Agreement shall have the following meanings:

"Affiliate" shall mean any person directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer, which, in the case of a partnership, shall include, each of the constituent general partners thereof, and in the case of a limited liability company, each of the constituent members thereof. The term "control", as used in the immediately preceding sentence, means, with respect to a corporation, the right to exercise, directly or indirectly, fifty percent (50%) or more of the voting rights attributable to the shares of the controlled corporation and, with respect to a person that is not a corporation, the possession directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"Affordable Rent" shall have the appropriate meaning set forth in California Health and Safety Code Section 50053(b), which, as of the date hereof, means monthly rent, including a reasonable utility allowance, that does not exceed the following respective amounts (which are more particularly set forth in the Income and Rent Limits exhibit attached to the Regulatory Agreement (**Exhibit I** of Part I of Exhibits):

(a) for an Extremely Low Income Household, one-twelfth of the product of thirty percent (30%) times thirty percent (30%) of the Area Median Income adjusted for family size appropriate for the unit, (as that term is defined in California Health and Safety Code Section 50052.5), as determined by the California Department of Housing and Community Development (“HCD”);

(b) for a Very Low Income Household, one-twelfth of the product of thirty percent (30%) times fifty percent (50%) of the Area Median Income adjusted for family size appropriate for the unit, as determined by HCD;

(c) for a Low Income Household, one-twelfth of the product of thirty percent (30%) times sixty percent (60%) of the Area Median Income adjusted for family size appropriate for the unit, as determined by HCD, which Developer may adjust upon each annual income verification and recertification for any Low Income Household with an annual income that exceeds sixty percent (60%) but does not exceed eighty percent (80%) of Area Median Income, to an amount that does not exceed thirty percent (30%) of the gross income of the Household; and

(d) for a Moderate Income Household, one-twelfth of the product of thirty percent (30%) times one hundred ten percent (110%) of the Area Median Income adjusted for family size appropriate for the unit as determined by HCD, which Developer may adjust upon each annual income verification and recertification for any Moderate Income Household with an annual income that exceeds one hundred ten percent (110%) but does not exceed one hundred twenty percent (120%) of Area Median Income, to an amount that does not exceed thirty percent (30%) of the gross income of the Household.

“Affordable Unit” shall mean any of the dwelling units in the Improvements required by this Agreement and/or the Regulatory Agreement to be rented exclusively to and occupied by an Extremely Low, Very Low, Low or Moderate Income Household.

“Agreement” shall mean this Disposition and Development Agreement, as the same may be amended from time to time.

“Area Median Income” shall have the meaning set forth therefor in California Health and Safety Code Section 50093, as it may be amended from time to time.

“Assignment of Agreements, Plans, Specifications and Entitlements” shall mean an instrument substantially in the form attached to this Agreement as **Exhibit G** of Part I of Exhibits.

"Developer" shall mean [DEVELOPER], a California non-profit public benefit corporation, or any permitted Transferee or successor in interest approved by the City in accordance with Article 7 of this Agreement.

"Building Permit" shall mean all building and grading permits required to be obtained from the City for the construction of the Improvements.

"Business Day" means a week day, and shall specifically exclude those days described in California Civil Code Section 7.1, as amended from time to time.

"Certificate of Completion" shall mean that certificate issued by the City to the Developer pursuant to Section 6.4 of this Agreement.

"City" shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and its various departments.

"City Development Documents" means, collectively, this Agreement, the Ground Lease, the Memorandum of Ground Lease, the Regulatory Agreement, the Notice of Affordability Restrictions, the City Leasehold Deed of Trust, if any, the Intercreditor Agreement (if any), the Assignment of Agreements, Plans, Specifications and Entitlements, and all other documents required to be executed by the Developer and/or the City in connection with the transactions contemplated by this Agreement, with all amendments and modifications thereto.

"City Leasehold Deed of Trust" shall mean the City Leasehold Deed of Trust securing any monetary obligations under this Agreement and the City Ground Lease and related documents, due to the City from the Developer.

"City Rent" shall mean a rent payable to the City by Developer: (a) for the Initial Term of the first Sixty Five (65) years of the Ground Lease, the Developer will pay the City a base annual ground lease payment ("Base Rent") of Ten Thousand Dollars (\$10,000), to be increased at annual interest rate of One Percent (1%) for the duration of the Initial Term, and (b) a Residual Receipt Rent ("Residual Receipt Rent") equal to a pro rata share of Fifty Percent (50%) of the Residual Receipts to be shared with the other Soft Lenders. Upon conclusion of the Initial Term, the ground lease will be automatically extended for three (3), eleven-year terms up to a maximum total lease term of ninety Nine (99) years, and the Developer will pay the City a revised rent amount equal to 10% the FMV of the "As-Is" leasehold interest in the Site based on an appraisal conducted within six months of the lease renewal date prepared by a City approved real estate appraiser ("Extension Base Rent"); (b) City Ground Lease will not be subordinated to the construction and permanent debt lenders of the Project and (d) if the affordability restrictions are no longer in place, then the project will pay the full FMV lease payment.

"Community Outreach Plan" shall mean the plan described in Section 6.13.c. of this Agreement.

"Completion" shall mean completion of construction of the Improvements as required by all the requirements of this Agreement.

"Construction Lender" shall mean the maker of the Construction Loan.

"Construction Loan" shall mean a loan secured by a Construction Loan Deed of Trust and made by a third party to Developer to finance certain development costs of the Project during the construction phase of the Project.

"Construction Loan Deed of Trust" shall mean any deed of trust recorded against the Site securing a Construction Loan.

"Construction/Permanent Loan" shall mean a loan that is both a Construction Loan and Permanent Loan.

"Construction/Permanent Loan Deed of Trust" shall mean any deed of trust recorded against the Site securing a Construction/Permanent Loan.

"Development Costs" shall mean any properly documented costs incurred by Developer in connection with the ground lease of the Site and the entitlement, design, financing and construction of the Project, as set forth in the Project Budget and Financing Plan.

"Effective Date" shall mean the date, after this Agreement is initially executed by Developer and approved by the City, that this Agreement is executed by the HCID General Manager or designee, and/or City Clerk, which date shall be the latest date set forth on the signature page(s) of this Agreement.

"Eligible Household" shall mean, as applicable to this Agreement, a household that qualifies as an Extremely Low Income Household, a Very Low Income Household, a Low Income Household or a Moderate Income Household.

"Encumbrance" shall mean and include any mortgage, deed of trust, lease, lien, easement, restrictive covenant or regulatory agreement or other security interest recorded against title to the Site.

"Environmental Laws" shall mean all federal, state and local laws, ordinances and regulations relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, release, disposal or transportation of Hazardous Substances.

"Event of Default" shall have the meaning set forth in Section 10.1 of this Agreement.

"Exceptions" shall mean all exceptions, reservations, liens, encumbrances, qualifications, covenants, conditions, restrictions, leases, easements, rights of way, or other like matters affecting the Site, and all matters or states of facts reflected on or arising out of any tentative or final parcel map for the Site, or concerning or related to zoning, subdivision, permitted use or physical condition of the Site, or arising from the redevelopment, development or related activities of Developer.

"Extremely Low Income Households" shall have the meaning set forth therefor in California Health and Safety Code Section 50106, as it may be amended from time to time.

"Financing Plan" shall mean the plan described in Section 3.2.b. of this Agreement.

"General Contractor" shall mean the licensed contractor or firm selected by Developer with overall responsibility for construction of the Project.

"Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorization, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision.

"Gramercy Place Apartments" shall mean that certain real property, owned by the City of Los Angeles, located at 2375 West Washington Boulevard, Los Angeles, California depicted on the Site Map attached to this Agreement as **Exhibit A** of Part I of Exhibits and more particularly described by the Legal Description attached to this Agreement as **Exhibit B** of Part I of Exhibits.

"Ground Lease" shall mean that certain 99-year ground lease with respect to the Site to be entered into between the City, as ground lessor, and Developer, as ground lessee, subject to and as contemplated in this Agreement, as it may be amended to the extent permitted by applicable City and State laws (as determined prior to entry into the Ground Lease).

"Hazardous Materials" shall mean: (i) any chemical, compound, material, mixture or substance that is now or may later be defined or listed in, or otherwise classified pursuant to, any Hazardous Materials Law as a "hazardous substance", "hazardous waste", "extremely hazardous waste", acutely hazardous waste", radioactive waste", infectious waste", biohazardous waste", "toxic substance", "pollutant", "toxic pollutant", "contaminant", as well as any formulation not mentioned herein intended to define, list or

classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP" toxicity, or "TCLP toxicity"; (ii) petroleum, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (iii) "hazardous substance" as defined in Section 25281 of the California Health and Safety Code; (iv) "waste" as defined in Section 13050(d) of the California Water Code; (v) asbestos in any form; (vi) urea formaldehyde foam insulation; (vii) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs) in excess of fifty (50) parts per million; (viii) radon; and (ix) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is now or hereafter limited or regulated for health and safety reasons by any governmental authority, or which poses or is later determined to pose a significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment. The term "Hazardous Materials" shall not include: construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of residential property, or commonly used or sold by hardware, home improvement stores, or medical clinics and which are used and stored in accordance with all applicable Hazardous Materials Laws.

"Hazardous Materials Laws" means all present and future federal, state and local laws, ordinances, regulations, permits, guidance documents, policies, decrees, orders and any other requirements, whether statutory, regulatory or contractual, of governmental authorities relating to health, safety, the environment or the use, handling, disposal or transportation of any Hazardous Materials (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation Recovery Act, the Clean Water Act, the Clean Air Act, and the applicable provisions of the California Health and Safety Code and the California Water Code, as each such statute may from time to time be amended, and the rules, regulations and guidance documents promulgated pursuant to any such statute).

"HCD" shall mean the California Department of Housing and Community Development.

"Housing Design Guidelines" shall mean the City's Residential Citywide Design Guidelines, substantially in the form included in Part II of Exhibits, receipt of which is hereby acknowledged.

"HUD Requirements" shall mean the requirements, to the extent applicable, listed in the form included as **Exhibit K** of Part I of Exhibits, receipt of which is hereby acknowledged.

"Improvements" shall mean and include all demolition, site preparation and grading, as well as all buildings, structures, fixtures, excavation, parking, landscaping, and other work, construction, rehabilitation, alterations and improvements of whatsoever character to be constructed or performed by Developer on, around, under or over the Site pursuant to this Agreement.

"Intercreditor Agreement" shall mean an agreement by and among HCID, Developer, and/or other parties, as applicable, in form and substance that is acceptable to the City or its designee and that addresses, among other things, the disbursement of loan proceeds by the Lender(s) and gives the City the right to review and comment on disbursements by the other Lender(s), as it may be and to extent provided therein.

"Investor Member/Limited Partner Capital Contribution" shall mean funds provided to Developer by the Tax Credit Equity Investor in consideration of the Low Income Tax Credit and Historic Rehabilitation Tax Credit.

"HCID" shall mean the City of Los Angeles, acting by and through its Housing and Community Investment Department of the City.

"Losses and Liabilities" shall mean and include all claims, writs, demands, causes of action, liabilities, losses, damages, judgments, injuries, expenses (including, without limitation, attorneys' fees and costs incurred by the indemnified party with respect to legal counsel of reasonably acceptable to it) charges, penalties or costs of whatsoever character, nature and kind, whether to property or to person, and whether by direct or derivative action, known or unknown, suspected or unsuspected, latent or patent, existing or contingent.

"Low or Moderate Income Households" shall have the same meaning as the term "persons and families of low or moderate income" set forth in California Health and Safety Code Section 50093, as it may be amended from time to time.

"Low Income Households" shall have the same meaning as the term "Lower income households" set forth in California Health and Safety Code Section 50079.5, as it may be amended from time to time.

"Low Income Housing Tax Credit" shall mean the tax credit authorized by the Tax Reform Act of 1986 and governed by Section 42 of the Internal Revenue Code.

"Management Plan" shall mean a plan as described in Section 7.5.a. of this Agreement.

"Moderate Income Households" shall have the same meaning as the term "persons and families of low or moderate income" set forth in California Health and Safety Code Section 50093, as it may be amended from time to time.

"Notice of Affordability Restrictions" shall mean the Notice of Affordability Restrictions on Transfer of Property to be recorded against the Site, substantially in the form attached to this Agreement as **Exhibit J** of Part I of Exhibits.

"Ownership and/or Control" shall mean, without limitation, a majority of voting rights and beneficial ownership with respect to all classes of stock in a corporation or controlling interests in partnerships or limited liability companies, and/or beneficial interests under a trust, as may be applicable to the type of entity in question. In the case of a trust, such term shall also include the rights of the trustee as well as the beneficiary.

"Parties" shall mean the City, HCID and the Developer, collectively, and "Party" shall mean either the City, HCID or the Developer.

"Permanent Lender" shall mean the maker of the Permanent Loan.

"Permanent Loan" shall mean the loan secured by a Permanent Loan Deed of Trust and made by a third party to Developer to finance certain development costs of the Project after construction completion and stabilization of occupancy of the Project.

"Permanent Loan Deed of Trust" shall mean any deed of trust recorded against the Site securing a Permanent Loan.

"Permitted Lender" shall mean the holder of any Security Financing Interest authorized by this Agreement and identified in the Project Budget or Financing Plan.

"Permitted Loan" shall mean any loan secured by a Security Financing Interest authorized by this Agreement and identified in the Project Budget.

"Permitted Transfer" means any of the following, provided Developer or a general partner or managing member, as the case may be, of Developer retains day-to-day control over management and operations of the Site and the Improvements:

- a. A conveyance of a security interest in the Site in connection with any Permitted Loan and any subsequent transfer of leasehold title by foreclosure, deed or other conveyance in lieu of foreclosure in connection therewith;
- b. A conveyance of leasehold interest in the Site or other Transfer by Developer to a limited partnership or limited liability company in which Developer is managing general partner or managing member, as the case

may be, and the Tax Credit Equity Investor is a limited partner or member, as the case may be, or to any other Affiliate, or a conveyance back from such entity to Developer;

- c. The inclusion of equity participation by Developer by addition of members to Developer's limited liability company, limited partners to Developer's limited partnership, or similar mechanisms;
- d. The sale of non-managing membership or limited partnership interests to any Affiliate of the Tax Credit Investor;
- e. The lease for occupancy of all or any part of the Improvements on the Site;
- f. The granting of easements or permits to facilitate the development of the Site in accordance with this Agreement;
- g. In addition, the withdrawal, removal and/or replacement of any managing member of Developer's limited liability company or general partner of Developer's partnership, as the case may be, pursuant to the terms of the Developer's LLC Agreement or partnership agreement, as the case may be, shall not constitute a default under this Agreement or any of the City Development Documents, provided that any required substitute member or general partner, as the case may be, is reasonably acceptable to the City and is selected with reasonable promptness;
- h. Any other transfer approved in writing by the City or its designee, at its sole discretion;

"Person" means an individual, corporation, partnership, Limited Liability Company, joint venture, association, firm, Joint Stock Company, trust, unincorporated association or other entity.

"Project" shall mean Developer's lease of the Site and the development of the Improvements on the Site as required by this Agreement and the Scope of Development.

"Project Architect" shall mean the licensed architect or firm of architects selected by Developer with overall responsibility for the design of the Project.

"Project Budget" means the preliminary estimate of sources and uses of funds necessary to develop the Project attached to this Agreement as **Exhibit E** of Part I of Exhibits.

"Project Documents" shall mean and include such preliminary and Final Construction Drawings and specifications, grading plans, landscape plans, site development plans, plot plans, off-site improvement plans, architectural renderings and elevations, material specifications, parking plans and other plans and documents as are required to be submitted to HCID pursuant to Article 5 of this Agreement or any applicable Governmental Restrictions.

"Redevelopment Plan" shall mean the "Redevelopment Plan for the Redevelopment Project Area in which the project is located" adopted by Ordinance of the City Council of the City of Los Angeles, as amended from time-to-time.

"Regulatory Agreement" shall mean the Regulatory Agreement to be entered into by the City and Developer and recorded against the Site, in the form attached to this Agreement as **Exhibit I** of Part I of Exhibits.

"Residual Receipts" shall mean Revenues reduced in the following order : (1) Operating Expenses calculated on a cash basis; (2) debt services on senior project debt secured by the senior position deed of trust; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to the Transition Reserve Funds; (6) deposits to the Supportive Services Reserve Fund; (7) repayment of general partner loans; (8) deferred developer fees; and (9) related or third party transactions, including but not limited to partnership management fee, investor service fee, asset management fee, annual partnership review fee, administrative fee, incentive supervisor fee, and / or facility administration fee. The combined total amount of related or third party transactions shall not exceed fifteen thousand dollars (\$15,000) annually or Portfolio Management Guidelines, whichever is greater. Deferred developer fees shall be drawn from the project cash flow over the first fifteen (15) years of project operation.

"Residual Receipts Lease" shall mean any lease to be secured by a deed of trust on the Site that finances or refinances any portion of the Total Development Costs and is to be repaid by a share of Developer's net cash flow in proportion to all other Residual Receipts loans financing the Project.

"Schedule of Performance" shall mean the Schedule of Performance including project's Milestones, attached to this Agreement as **Exhibit C** of Part I of Exhibits, which is incorporated herein by this reference. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between the Developer and the City or its designee.

"Scope of Development" shall mean the Scope of Development attached to this Agreement as **Exhibit D** of Part I of Exhibits, which is incorporated herein by this reference.

“Security Financing Interests” shall have the meaning set forth in Section 9.1.b. of this Agreement.

“Site” shall mean that certain real property consisting of City sites: _____ depicted on the Site Map attached to this Agreement as **Exhibit A** of Part I of Exhibits and more particularly described by the Legal Description attached to this Agreement as **Exhibit B** of Part I of Exhibits.

“Statutory Request for Notice of Default” shall mean an instrument substantially in the form attached to this Agreement as **Exhibit H** of Part I of Exhibits

“Tax Credit Equity Investor” shall mean any Person who will be an investor member in Developer’s limited liability company or investor limited partner in Developer’s partnership, as the case may be, and who will purchase the Low Income Housing Tax Credit and Historic Preservation Tax Credit and own not less than a 99% interest in Developer.

“Third Party Lender” shall mean the maker of any Loan or beneficiary of any Loan deed of trust, except for the City.

“Third Party Loan” shall mean the Construction Loan, Permanent Loan, Construction/Permanent Loan (if any), and/or any other loan, credit enhancement or construction period guaranty facility that is secured by a deed of trust or other instrument.

“Title Company” shall mean _____ or such other title insurance company as may be approved by the City.

“Total Development Costs” shall mean the total cost to Developer of acquiring the Site and designing, entitling, financing and constructing the Project thereon, as set forth in the Project Budget and Financing Plan.

“Transfer” shall mean and include any voluntary or involuntary transfer, sale, assignment, lease, sublease, license, franchise, concession, operating agreement, gift, hypothecation, mortgage, pledge or encumbrance, or the like, of all or any portion of the Site, any rights or obligations of the Developer under this Agreement, or any interest in the Developer, to any person or entity (“Transferee”).

“Very Low Income Households” shall have the meaning set forth therefor in California Health and Safety Code Section 50105, as it may be amended from time to time.

1.3 Exhibits.

The following is a list of the exhibits applicable to this Agreement. The exhibits constituting Part I are attached to this Agreement. The exhibits constituting Part II are Standard City Contracting Requirements which are set forth in a separate document, the receipt of which is hereby acknowledged by Developer. All of the exhibits are hereby incorporated by this reference as though fully set forth herein.

a. Part I of Exhibits:

- A. Site Map
- B. Legal Description
- C. Schedule of Performance and Milestones
- D. Scope of Development
- E. Project Budget
- F. [Intentionally omitted]
- G. Form of Assignment of Agreements, Plans, Specifications and Entitlements
- H. Form of Statutory Request for Notice
- I. Form of Regulatory Agreement
- J. Form of Notice of Affordability Restrictions
- K. HUD Requirements

b. Part II of Exhibits (Standard City Contracting Requirements):

- 1. City of Los Angeles Requirements and Checklist, with Attachments
- 2. ADA Covenants
- 3. Mayoral Directive
- 4. City Insurance Requirements

ARTICLE 2. PARTIES TO THE AGREEMENT.

2.1 City of Los Angeles.

The City of Los Angeles is a municipal corporation, acting by and through its Housing and Community Investment Department. The address of HCID for the purposes of receiving notice pursuant to this Agreement is:

Housing and Community Investment Department
1200 W. 7th Street, Suite 900
Los Angeles, CA 90017
Attention: General Manager

With a copy to:

Los Angeles Housing Department

Asset Management Division
1200 W. 7th Street, Suite 900
Los Angeles, CA 90017
Attention: Asset Manager

The term "HCID" includes any assignee or successor to HCID's rights, powers and responsibilities under this agreement.

2.2 Developer.

Developer is _____, a California non-profit public benefit corporation. The address of Developer for purposes of receiving notice pursuant to this Agreement is:

[DEVELOPER/ADDRESS]

Attention: Name, Title

With a copy to:

Attention: _____

The term "Developer" as used herein includes any authorized and approved Transferee of Developer as permitted in accordance with Article 8 of this Agreement. All of the terms, covenants, and conditions of this Agreement shall be binding on such Transferees, successors and assigns of Developer.

2.3 No Joint Venture.

The City and Developer are not and shall not be deemed to be partners, co-venturers, joint ventures or in any other way related to one another, nor shall either party have any fiduciary, confidential or agency relationship with the other. Nothing contained in this Lease will be deemed or construed by the Parties or by any third person or court to create the relationship of principal and agent or of partnership or of joint venture or of any association between the City and Lessee, and neither the method of computation of Rent nor any other provisions contained in this Lease nor any acts of the parties will be deemed to create any relationship between the City and Lessee, other than the relationship of lessor and lessee.

ARTICLE 3. DISPOSITION OF SITE.

3.1 Conditions Precedent to Close of Escrow.

Subject to the terms and conditions of this Agreement, the City shall execute and deliver the Ground Lease to the Site to Developer for redevelopment and the provision of affordable housing. The City shall not be obligated to convey title to the Site to Developer, and the Close of Escrow shall not occur, if an Event of Default has occurred and has not been cured within the applicable cure period, if any. The Close of Escrow is further conditioned upon the timely satisfaction of each of the following conditions (the "Conditions Precedent"), not later than the time provided in the Ground Lease Schedule of Performance for the Closing Date (as such date may be extended in accordance with the terms of this Agreement). It shall be Developer's obligation to cause all of the Conditions Precedent to be satisfied in a timely fashion, as provided in this Agreement, and to provide written documentation sufficient for the HCID General Manager or designee to determine compliance, not later than ten (10) Business Days prior to the scheduled Closing Date (unless a different time is provided in this Agreement). The City shall have the right to approve or disapprove any submittal. Any approval or disapproval shall be in writing. Any disapproval shall contain an explanation of the reason(s) for disapproval. Developer shall have eight (8) Business Days after any disapproval to submit additional or corrected documentation. Failure by the City to approve or disapprove any submittal in writing within ten (10) Business Days of receipt shall be deemed a disapproval. The City shall have the right to terminate this Agreement in the event of a failure of any Condition Precedent within the respective time specified for the satisfaction of such condition in this Agreement, but in any event not later than the time provided in the Schedule of Performance for the scheduled Closing Date. Unless expressly provided otherwise, each of the following conditions is for the exclusive benefit of the City.

(i) Developer's Certificate. Developer shall certify to the City in writing that (i) all information provided by Developer to the City in connection with this Agreement remains true and correct in all material respects; and (ii) Developer is in full compliance with the terms of this Agreement and there exists no Event of Default pursuant to this Agreement, nor has any act, omission or condition occurred that, with the giving of notice, would constitute an Event of Default pursuant to this Agreement;

(ii) Opinion of Developer's Counsel. Developer shall deliver to the City a written opinion in a form acceptable to the City, to be signed by counsel to Developer on the Closing Date, with respect to: (i) the legality, validity and binding effect of this Agreement and its enforceability against Developer in accordance with its terms; (ii) the absence of any litigation or other proceedings, either pending or threatened, which could have a material adverse effect on the ability of Developer to perform pursuant to this Agreement; and (iii) such other standard and customary matters for legal opinions to be given by Developer's counsel in real

estate secured financing transactions as reasonably requested by HCID. The opinion of Developer's counsel shall disclose whether any consent, approval or other authorization, regulation, declaration or filing with any court or other governmental agency or commission or other public entity is required for the due execution and delivery of this Agreement and City Development Documents pursuant to this Agreement;

(iii) Developer's Formation Documents. Developer shall deliver to HCID documentation relating to the status of Developer's corporate, partnership, limited liability or other similar entity, and those of any general partners or managing members of Developer, including, without limitation and as applicable, the following: limited partnership agreements and any amendments thereto; articles of incorporation; limited liability company articles of incorporation (LLC-1); statement of information and operating agreement (including any amendments thereto); copies of all resolutions or other necessary actions taken by such entity to authorize the execution of this Agreement and related documents; and a certificate of status issued by the California Secretary of State;

(iv) Title. The Title Company shall confirm in writing that all conditions precedent to the Close of Escrow for Developer to take leasehold title to the Site, other than the payment of the City Rent, shall have been satisfied;

(v) Appraisal or Other Determination of Value. The City shall have determined, in their sole discretion, that the City Rent payable by Developer for the Site is acceptable;

(vi) Site Conditions. The City and Developer shall determine that no adverse Site conditions exist that may interfere with the development of the Site as provided in this Agreement, or, if such Site conditions exist, that they are being addressed to the satisfaction of the City. This condition is for the benefit of the City and Developer;

(vii) Title Insurance Policy. The City shall have received written confirmation from the Title Company that the Title Company is committed to issue to the City, upon the Close of Escrow, without cost to the City, a Title Insurance Policy (without deletions), together with such endorsements as the City may request. This condition is for the benefit of the City and Developer;

(viii) Evidence of Insurance. Developer shall have submitted to the City evidence of the Insurance Policies required by Section 7.10 of this Agreement. The City shall be named as loss payee or additional insured on all policies, as applicable. Developer shall ensure that all worker compensation insurance policies carried by the General Contractor and subcontractors working on the Project include a waiver of subrogation in favor of the City.

(ix) Project Budget. As a condition precedent to the Close of Escrow, the acceptance of the ground lease, Developer shall deliver to the City a certification in writing that the Project Budget remains in effect as of such date, or Developer shall have delivered to the City a proposed revision to the Project Budget, demonstrating to the reasonable satisfaction of the HCID General Manager or designee the availability of sufficient funds to pay all Total Development Costs.

(x) Financing Plan. Developer shall have submitted and the City shall have approved a Financing Plan for the Project, meeting the requirements of Section 3.2.b. of this Agreement.

(xi) Closing Cost Statement. The City and Developer shall have received an estimated closing cost statement of costs from the Escrow Agent. This condition shall be for the benefit of the City and Developer;

(xii) Recording Instructions. Developer and the City shall have executed and delivered to the Escrow Agent mutually agreed-upon and irrevocable supplemental escrow and recording instructions authorizing the Escrow Agent to record and/or deliver the closing documents listed below, which escrow instructions shall also state that the Memorandum of Ground Lease and related documents shall be recorded only upon satisfaction of the Conditions Precedent, and the Escrow Agent shall have approved such supplemental escrow and recording instructions as may have been prepared on behalf of the City and Developer; and

(xiii) Documents. Not later than two (2) Business Days prior to the Close of Escrow, the City, Developer and/or other parties, as appropriate, shall have executed the following documents and delivered them to the Escrow Agent, for recording and distribution, as appropriate, upon the Close of Escrow:

(i) Ground Lease (to be signed by the City and consented to by Developer before or concurrently with the Close of Escrow). This condition shall be for the benefit of the City and Developer;

(ii) City Memorandum of Ground Lease (to be signed by Developer and the City and recorded concurrently with the Close of Escrow);

(iii) Regulatory Agreement (to be signed by Developer and the City and recorded concurrently with the Close of Escrow);

(iv) Notice of Affordability Restrictions on Transfer of Property (to be signed by the City and Developer and recorded concurrently with the Close of Escrow);

(v) Assignment of Agreements, Plans, Specifications and Entitlements (to be signed by Developer, Project architect and contractor, as applicable, and retained by the City);

(vi) Intercreditor Agreement(s), if any (to be signed by the City, Developer and any other lender(s) party to such agreement); and

(vii) Statutory Request for Notice under Section 2924b of the Civil Code (to be signed by the City and recorded upon the Close of Escrow).

3.2 Financing for the Project.

a. Project Budget. The Parties estimate that the Total Development Costs will be as set forth in the Project Budget. The initial Project Budget is attached to this Agreement as **Exhibit E** to Part I of Exhibits. The Parties acknowledge that the Project Budget shall serve as a guide for preparation of a more detailed Financing Plan. From time to time after the execution of this Agreement and through completion of construction, the Project Budget shall be subject to one or more amendments (each such amendment referred to as a "Revision" in this Agreement). Any Revision shall be subject to the approval of the HCID General Manager or designee. The HCID General Manager or designee is authorized to approve, and shall not unreasonably withhold approval of, any requested Revision for which the Third Party Lender's approval is not required under the terms of the Third Party Loan documents, or which has been approved by the Third Party Lender, if, within five (5) Business Days after receipt of the request, the City receives such explanation and/or back-up information as was received and relied upon by the Third Party Lender in connection with its approval of the Revision, and if the following conditions are satisfied:

(i) the Revision is limited to a reallocation of budgeted funds among Project Budget line items without any increase in the total Project Budget and the funds in the line item(s) to be reduced remain sufficient for completion of the Project and the requested increase in one or more line item(s) is to be used to pay approved costs, or the Revision involves an increase in the Total Development Costs, not to exceed fifteen percent (15%) of the Total Development Costs, and additional funds in an amount equal to the increase in the total Project Budget will be provided by Developer or a lender, and the requested increase in the Project Budget is to be used to pay approved costs.

(ii) the Revision does not increase the amount of any City loan;

(iii) the Revision does not result in a material change to the design of the Project, other than as approved by the City in writing;

(iv) the Revision does not materially adversely affect the economic feasibility of the Project; and

(v) the Revision does not materially adversely affect the City Rent or any leasehold security.

Upon approval of any Revision, the Project Budget shall be replaced by the approved revised Project Budget and this Agreement shall be deemed amended to reflect such revised Project Budget.

Financing Plan. Not later than twenty (20) Business Days prior to the scheduled Closing Date, Developer shall submit to HCID a proposed Financing Plan, consisting of the following: (1) a ten-year cash flow projection for operation of the Project; (2) a current Project Budget, updated on the basis of approved permits and entitlements and any design requirements of any Governmental Agency; (3) a "sources and uses" table, identifying the proposed use of each source of funding for the Project during the construction period; (4) if applicable, evidence reasonably satisfactory to the HCID General Manager or designee that Developer has sufficient additional funds available and committed to cover the difference, if any, between the Total Development Costs and all funds committed to financing the Total Development Costs (as provided in Section 3.2.c., below). HCID shall approve or disapprove in writing the proposed Financing Plan within ten (10) Business Days of receipt. Failure of HCID to approve or disapprove the Financing Plan within ten (10) Business Days of receipt shall be deemed a disapproval.

c. Evidence of Financing. The Developer must demonstrate evidence of financing within 24 months of the date of execution of this Agreement. HCID acknowledges that the Financing Plan is predicated on funding applications to the State, County and other funders for funds that may or may not be awarded through a competitive selection process. Therefore, HCID agrees that the Developer may apply for competitively awarded funding awards more than once. However, if the Developer fails to apply for or be awarded a source of funding identified in the Financing Plan after two rounds of funding applications, and cannot provide evidence of sufficient financing, HCID may terminate this development agreement.

The sum of the sources of construction financing described in the Project Budget shall be sufficient at all times to pay all Total Development Costs as set forth in the most recently approved Project Budget. If at any time prior to the issuance of the Certificate of Completion, the sum of the sources of funds described in the Project Budget is insufficient to pay all Total Development Costs, Developer shall promptly deposit into

the construction fund held by the Construction Lender additional Developer's funds at least equal to the shortfall. Not later than twenty (20) Business Days prior to the scheduled Closing Date, Developer shall submit, for approval by the HCID General Manager or designee, evidence of such financing (as part of the Financing Plan), including substantially complete drafts of Construction Loan documents (as required by Section 4.4(1)(a) of this Agreement). The HCID General Manager or designee shall not unreasonably withhold his or her approval.

3.3 Security Deposit and Liquidated Damages.

Prior to the execution of this Agreement by the City and the Developer, the Developer shall have submitted to the City a non-refundable site control fee in the sum of [AMOUNT] Thousand Dollars (\$xx,000) (the "Deposit") to ensure that the Developer will proceed diligently and in good faith to develop the Site as required by this Agreement.

IF THIS AGREEMENT IS TERMINATED PRIOR TO CLOSE OF ESCROW BY THE CITY IN ACCORDANCE WITH SECTION 10.9, AND AFTER THE GIVING OF ANY REQUIRED NOTICE AND THE EXPIRATION OF ANY REQUIRED CURE PERIOD AS SET FORTH IN THIS AGREEMENT, DUE TO A BREACH OF DEVELOPER'S OBLIGATION UNDER THIS AGREEMENT, THEN THE ENTIRE BALANCE OF THE DEPOSIT SHALL BE RETAINED BY THE CITY AS LIQUIDATED DAMAGES. UPON THE PAYMENT OF LIQUIDATED DAMAGES, THIS AGREEMENT WILL TERMINATE AND THE PARTIES SHALL HAVE NO FURTHER OBLIGATIONS, RIGHTS OR LIABILITIES TO EACH OTHER UNDER THE TERMS OF THE AGREEMENT.

THE PARTIES FURTHER AGREE THAT THE AMOUNT OF LIQUIDATED DAMAGES ESTABLISHED BY THIS PROVISION IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF EXECUTION OF THIS AGREEMENT, OF WHAT THE CITY'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY DEVELOPER.

NOTWITHSTANDING ANY OF THE FOREGOING, THE LIQUIDATED DAMAGES PROVISIONS ABOVE ARE IN ADDITION TO, AND DO NOT AFFECT, LIMIT, OR IN ANY WAY REDUCE, CITY'S RIGHT TO REMEDIES AFTER THE CLOSE OF ESCROW.

INITIALED BY DEVELOPER: _____

INITIALED BY HCID: _____

3.4 Ground Lease.

Prior to the date set forth in the Schedule of Performance, the parties shall have agreed upon the form of the Ground Lease.

Provided the conditions precedent in Section 3.1 of this Agreement have been satisfied, upon the terms, covenants and conditions set forth in this Agreement, the City agrees to lease and convey the leasehold interest in the Site to Developer, and Developer agrees to lease and accept the leasehold interest in the Site from the City and to pay City Rent, in accordance with this Agreement and the Ground Lease. Until the issuance of the Certificate of Completion, the City's conveyance of leasehold shall be subject to a power of termination (as described in Section 10.9 of this Agreement), to ensure the completion of the redevelopment of the Site for the purpose of providing affordable housing as provided in this Agreement.

As a condition to the Close of Escrow, the parties shall have executed and delivered into escrow for delivery upon Close of Escrow, such agreed form of Ground Lease and a memorandum thereof for recordation upon Close of Escrow.

3.5 City Rent.

The applicable City Rent shall be paid by Developer to the City on the Closing Date through the Escrow Agent, together with such additional amounts as is necessary to cover Developer's share of costs and expenses hereunder.

3.6 Condition of the Site.

a. Due Diligence. The City makes no representations regarding the condition of the Site. The Parties hereby acknowledge that prior to the execution of this Agreement, Developer used the opportunity provided by the City to conduct any studies and investigations that Developer deemed necessary to assure itself of the physical condition of the Site and the suitability of the Site for the development contemplated by this Agreement. Developer shall have the right, without cost or expense to the City, to engage its own environmental consultant and any other consultants to conduct such additional studies and investigations of the Site as it deems necessary, including any Phase I and/or Phase II environmental investigations, soils, geotechnical or other testing of the Site, subject to the execution of a "Right of Entry" agreement in HCID's customary form. The City shall disclose to Developer any actual knowledge of Hazardous Materials or other physical defects on the Site which occur at any time prior to the Close of Escrow.

b. "As Is" Conveyance.

(i) DEVELOPER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT THE CITY IS CONVEYING THE SITE TO DEVELOPER AND DEVELOPER IS ACCEPTING FROM THE CITY THE SITE ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT DEVELOPER IS NOT RELYING ON ANY

REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT) OR IMPLIED, FROM THE CITY AS TO ANY MATTERS CONCERNING THE SITE, INCLUDING WITHOUT LIMITATION: (A) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE SITE (INCLUDING, WITHOUT LIMITATION, TOPOGRAPHY, CLIMATE, AIR, WATER RIGHTS, WATER, GAS, ELECTRICITY, UTILITY SERVICES, GRADING, DRAINAGE, SEWERS, ACCESS TO PUBLIC ROADS AND RELATED CONDITIONS); (B) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND GROUNDWATER, (C) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE SITE, (D) THE DEVELOPMENT POTENTIAL OF THE SITE, AND THE SITE'S USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE SITE FOR ANY PARTICULAR PURPOSE, (E) THE ZONING OR OTHER LEGAL STATUS OF THE SITE OR ANY OTHER PRIVATE OR GOVERNMENTAL RESTRICTIONS ON THE USE OF THE SITE, (F) THE COMPLIANCE OF THE SITE OR ITS OPERATION WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OR ENTITY, AND (G) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE SITE OR EMANATING FROM THE ADJOINING OR NEIGHBORING PROPERTY. DEVELOPER AFFIRMS THAT DEVELOPER HAS NOT RELIED ON THE SKILL OR JUDGMENT OF THE CITY OR ANY OF THEIR RESPECTIVE AGENTS, EMPLOYEES, CONSULTANTS OR CONTRACTORS TO SELECT OR FURNISH THE SITE FOR ANY PARTICULAR PURPOSE, AND THAT THE CITY MAKES NO WARRANTY THAT THE SITE IS FIT FOR ANY PARTICULAR PURPOSE. DEVELOPER ACKNOWLEDGES THAT DEVELOPER SHALL USE ITS INDEPENDENT JUDGMENT AND MAKE ITS OWN DETERMINATION AS TO THE SCOPE AND BREADTH OF ITS DUE DILIGENCE INVESTIGATION WHICH IT SHALL MAKE RELATIVE TO THE SITE AND SHALL RELY UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE SITE (INCLUDING, WITHOUT LIMITATION, WHETHER THE SITE IS LOCATED IN ANY AREA WHICH IS DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY). DEVELOPER UNDERTAKES AND ASSUMES ALL RISKS ASSOCIATED WITH ALL MATTERS PERTAINING TO THE SITE'S LOCATION IN ANY AREA DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY.

(ii) Developer's Release of the City. Developer, on behalf of itself and anyone claiming by, through or under Developer hereby waives its right to recover from and fully and irrevocably releases the City, and its respective council members,

board members, employees, officers, directors, representatives, attorneys and agents (the "Released Parties") from any and all claims, responsibility and/or liability that Developer may have or hereafter acquire against any of the Released Parties, excluding breaches by the City of representations, warranties and covenants of the City, for any claims, fines, penalties, fees, costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the following: (i) the condition (including any construction defects, errors, omissions or other conditions, latent or otherwise), valuation, salability or utility of the Site, or its suitability for any purpose whatsoever; and (ii) any information furnished by the Released Parties under or in connection with this Agreement, provided that such release does not apply in the event where the liability resulted from gross negligence, fraud, or will full misconduct of the Released Parties.

(iii) Scope of Release. The release set forth in Section 3.6(b)(ii) includes claims (other than claims for the presence of Hazardous Materials on, under or about the Site prior to the Close of Escrow) of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release of the Released Parties. Developer specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, Developer agrees, represents and warrants that Developer realizes and acknowledges that factual matters now unknown to Developer may have given or may hereafter give rise to causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Developer further agrees and represents that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge and acquit the City from any such unknown causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses and expenses. Accordingly, Developer, on behalf of itself and anyone claiming by, through or under Developer, hereby assumes the above-mentioned risks and hereby expressly waives any right Developer and anyone claiming by, through or under Developer, may have under Section 1542 of the California Civil Code, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Developer's Initials: _____

The provisions of this section shall survive the termination of this Agreement.

3.7 Discovery of Hazardous Materials.

a. In the event that Developer discovers the presence of Hazardous Materials on, under or about the Site prior to the commencement of the construction of the Improvements which Hazardous Materials were not the result of Developer's activities on the Site, Developer shall promptly notify the City of such discovery but in any event within seventy two (72) hours of such discovery. If Developer and the City, based on environmental reports by qualified professional consultants, reasonably estimate that the cost of remediating the Site in accordance with all Governmental Restrictions is One Hundred Thousand Dollars (\$100,000.00) or less, then Developer shall pay for and cause the remediation of the Site with reasonable diligence and in accordance with Governmental Restrictions. Developer and the City shall work cooperatively to expeditiously determine the estimated costs of remediation.

b. If the cost of remediation exceeds One Hundred Thousand Dollars (\$100,000.00), the City and Developer shall negotiate in good faith to identify the means and a method to pay the estimated costs of remediation. In the event the City and Developer are unable to identify funds to pay the costs of remediation after sixty (60) days of good faith negotiation (or such longer time as the Parties mutually determine), either Party may terminate this Agreement by providing a written notice of termination to the other Party. In such an event, Developer shall convey the Site to the City within five (5) days following the date of the notice of termination.

c. In the event that Developer discovers the presence of Hazardous Materials on, under or about the Site following the commencement or completion of the construction of Improvements and the presence of such Hazardous Materials are not caused by the City, Developer shall be responsible for the payment of all costs of remediation in accordance with Governmental Restrictions. Developer hereby waives its right to recover from and fully and irrevocably releases the City, and its respective council members, board members, employees, officers, directors, representatives, attorneys, and agents from any and all claims, responsibility and/or liability that Developer may have or hereafter acquire from the discovery of Hazardous Materials on, under or about the Site following the completion of the construction of the Improvements as evidenced by the issuance by the City of a temporary Certificate of Occupancy or Certificate of Occupancy, whichever is earlier.

c. The release set forth in this Section 3.7 includes claims (other than claims for the presence of Hazardous Materials on, under or about the Site prior to the Close of Escrow) of which Developer is presently unaware or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release of the Released Parties. Developer specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, Developer agrees, represents and warrants that Developer

realizes and acknowledges that factual matters now unknown to Developer may have given or may hereafter give rise to causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Developer further agrees and represents that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge and acquit the City from any such unknown causes of action, claims, fines, penalties, fees, demands, debts, controversies, damages, costs, losses and expenses. Accordingly, Developer, on behalf of itself and anyone claiming by, through or under the Developer, hereby assumes the above-mentioned risks and hereby expressly waives any right Developer and anyone claiming by, through or under Developer, may have under Section 1542 of the California Civil Code, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Developer's Initials: _____

e. Developer Precautions After Closing of Escrow.

Upon the Close of Escrow, Developer shall use commercially reasonable efforts to prevent the release into the environment of any Hazardous Materials which are located in, on or under the Site. Such precautions shall include compliance with all governmental requirements with respect to Hazardous Materials.

f. City and Developer agree as follows with respect to the existence or use of Hazardous Material (as defined in this Agreement and Ground Lease) on the Site:

(i) Prohibition. Developer shall not cause or permit any Hazardous Material, other than normal and customary cleaning and janitorial supplies, to be brought upon, kept or used in or about the Site by Developer, its agents, employees, contractors, customers or invitees, without the prior written consent of City. If Developer breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Site caused or permitted by Developer results in contamination of the Site, or if contamination of the Site by Hazardous Material otherwise occurs for which Developer is legally liable to City of damage resulting therefrom, then, Developer shall indemnify, hold City harmless, and defend City (with counsel reasonably acceptable to City) from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in

value of the Site, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Site, damages arising from any adverse impact on marketing of the Site, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of such contamination. This indemnification of City by Developer includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under Site. Without limiting the foregoing, if the presence of any Hazardous Material on the Site caused or permitted by Developer results in any contamination of the Site, Developer shall promptly take all actions at Developer's sole expense as are necessary to return the Site to the condition existing prior to the introduction of any Hazardous Material to the Site; provided that City's approval of such actions shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Site.

(ii) Assignment. It is understood that under no circumstances shall City consent to any proposed assignment or sublease if (1) the assignee or sub-lessee's anticipated use of the Site involves the generation, storage, use, treatment or disposal of Hazardous Material, other than normal and customary cleaning and janitorial supplies; (2) the proposed assignee or sub-lessee has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such assignee or sub-lessee's actions or use of the property in question; or (3) the proposed assignee or sub-lessee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Material.

(iii) Hazardous Materials Notices. California Health and Safety Code section 25349.7(a) requires any owner of nonresidential real property who knows, or has reasonable cause to believe, that any release of hazardous substance has come to be located on or beneath that real property, prior to the lease or rental of that real property or when the presence of such release is actually known, to give written notice of that condition to the lessee or renter. California Health and Safety Code section 25359.7(b) requires any Developer of real property who knows, or has reasonable cause to believe, that any release of hazardous substance has come to be located on or beneath that real property to give written notice of such condition to the owners. Developer and City shall comply with the requirements of section 25359.7 and any successor statute thereto and with all other statutes, laws, ordinances, rules, regulations and orders of governmental authorities with respect to hazardous substances.

3.8 Escrow.

a. Opening of Escrow.

Developer and the City shall open Escrow with the Escrow Agent not later than ninety (90) Business Days prior to the scheduled Closing Date. The delivery to Escrow Agent of a duplicate original of this Agreement shall constitute the "Opening of Escrow" and the date of the Opening of Escrow shall constitute the "Opening Date." The Escrow Agent shall accomplish the recordation of the Memorandum of Ground Lease and the documents to be recorded pursuant to this Agreement as more particularly set forth herein. This Agreement constitutes the joint basic escrow instructions of the City and Developer with respect to the lease and conveyance of the Site by the City to Developer. The City and Developer shall provide such additional escrow instructions as are customary, consistent with this Agreement and necessary for the accomplishment of its purpose. Escrow Agent is hereby empowered to act under this Agreement, and Escrow Agent, upon indicating within five (5) Business Days after the Opening of Escrow its acceptance of the provisions of this Section 3.8 in writing delivered to the City and Developer, shall carry out its duties as Escrow Agent hereunder. In the case of any inconsistency between the Additional Escrow Instructions and this Agreement, the terms of this Agreement shall govern.

b. Closing Costs to be paid by Developer.

Together with Developer's deposit of the City Rent and any other deposits provided by this Agreement, Developer shall pay to the Title Company all fees, charges and costs of the Escrow promptly after the Title Company has notified Developer of the amount of such fees, charges and costs, prior to the Closing Date. Such fees, charges and costs shall include, but are not limited to, as follows:

- (i) The escrow fee; and
- (ii) Recording fees, if any, for the Memorandum of Ground Lease, the Regulatory Agreement, the Notice of Restrictions and/or any other instrument to be recorded against title to the Site by or for the benefit of Developer; and
- (iii) Title policy of title insurance naming the City as the insured with liability not less than the fair market value of the Site, issued by an insurer satisfactory to the City, excepting only such defects, liens, encumbrances, and exceptions as are approved by the City, and containing such endorsements as the City may reasonably require.

c. Closing Costs to be paid by Other Parties.

Any other costs, expenses or fees of the Escrow not otherwise provided for in this Agreement shall be paid by the party who customarily pays for such costs in Los Angeles County.

d. Duty of Escrow Agent.

The Escrow Agent is authorized to:

(i) Pay and charge Developer, the City or other parties, as applicable, for its respective fees, charges and costs payable under this Section 3.8. Before such payments or charges are made, Escrow Agent shall notify the City and Developer of the fees, charges and costs necessary to close the Escrow;

(ii) Deliver the Ground Lease, Memorandum of Ground Lease, the Regulatory Agreement and other documents, including any applicable promissory notes and deeds of trust, to the parties entitled thereto when the conditions of this Escrow have been fulfilled by the City and Developer;

(iii) Record any instruments delivered through this Escrow, if necessary or proper, to lease the Site, or the applicable portion thereof, to Developer in accordance with the terms and provisions of this Agreement.

If this Escrow is not in condition to close on or before the "Closing Date" (as defined in Section 3.9 of this Agreement), either Party who then shall have fully performed the acts to be performed before the conveyance of title may, in writing, demand from Escrow Agent and the Title Company, if appropriate, the return of its money, papers or documents deposited with Escrow Agent and the Title Company. No demand for return shall be recognized until ten (10) calendar days after Escrow Agent shall have mailed copies of such demand to the other Party at the address of its or their principal place of business and such other Party shall have failed to have taken the action required by that Party to effectuate the Close of Escrow within such ten (10) calendar day period. Objections, if any, shall be raised by written notice to the Escrow Agent and to the other Party within the ten (10) calendar day period described above, in which event Escrow Agent and the Title Company are authorized to hold all money, papers and documents with respect to the Site, or the affected portion thereof, until instructed by mutual agreement of the Parties or by a court of competent jurisdiction. If no such demands are made, the Escrow shall be closed as soon as possible.

Neither Escrow Agent nor the Title Company shall be obligated to return any such money, papers or documents, except upon the written instructions of the City and Developer or until the Party entitled thereto has been determined by a final decision of a court of competent jurisdiction.

Any amendment to these Escrow instructions shall be in writing and signed by both the City and Developer. At the time of any amendment, Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.

All communications from Escrow Agent to the City or Developer shall be directed to the addresses and in the manner established in Section 12.2 of this Agreement for notices, demands and communications between the City and Developer.

e. Title Review. Within the time provided in the applicable Schedule of Performance, Developer shall cause the Escrow Holder to deliver to the Developer and the City the Title Report(s) with respect to the title of the Site, together with legible copies of the documents underlying the exceptions (the "Exceptions") set forth in the Title Report(s). Within the time specified in the applicable Schedule of Performance, Developer shall have approved or disapproved the Exceptions. If Developer disapproves the Exceptions, then Developer may terminate this Agreement (Section 10.8, no fault termination provision) or Developer may provide written disapproval of such Exceptions to the City, and the City shall have until the date selected for each Close of Escrow to cure or remove each disapproved Exception. In the event the City is unable to cure to Developer's reasonable satisfaction, or remove, the disapproved Exceptions prior to Close of Escrow, Developer shall have the right to terminate this Agreement pursuant to Section 10.8 (no fault termination provision). Developer's failure to disapprove title to the Site within ninety (90) days prior to the Close of Escrow shall be deemed approval of such condition of title. In the event any new Exceptions appear on a Title Report after delivery of the initial Title Report and prior to the Close of Escrow, and (a) Developer disapproves of such Exception and (b) the City is unable to remove or cure such Exception to Developer's reasonable satisfaction prior to the Close of Escrow, then Developer shall have the right to terminate this Agreement pursuant to Section 10.8 (no fault termination provisions.) Upon Developer's approval of the state of title to the Site, Developer shall have no right to terminate this Agreement on account of the condition to title to the Site, except as provided herein.

3.9 Close of Escrow.

a. Subject to any extensions of time mutually agreed upon in writing between the City and Developer, the conveyance of leasehold interest to Developer pursuant to the Ground Lease shall be completed upon the occurrence of all of the following (the "Closing Date") (i) not sooner than the satisfaction of all Conditions Precedent to the Close of Escrow set forth in Section 3.1 of this Agreement; and (ii) not later than the date specified for the scheduled Closing Date in the Schedule of Performance.

b. The HCID General Manager or his/her designee, is authorized to approve one or more reasonable extensions to the Closing Date, from time to time (each such extension not to exceed twenty (20) Business Days), so long as: (i) such extension

is in writing, executed by the HCID General Manager or designee; (ii) the HCID General Manager or designee determines in writing, on the basis of reasonable documentation provided by Developer, that Developer is diligently attempting to satisfy or cause the satisfaction of any outstanding Condition Precedent; and (iii) the extension does not exceed six (6) months from the Closing Date set forth in the Schedule of Performance. Notwithstanding anything to the contrary, Close of Escrow shall not occur without a reasonable expectation that construction of the Improvements will commence within one hundred eighty (180) Business Days after the Close of Escrow.

3.10 Recordation of Documents.

Unless instructed otherwise in writing by the City and Developer, Escrow Agent shall record or cause to be recorded in the Office of the County Recorder of Los Angeles County, California, in the following order, the following instruments: (a) the Memorandum of Ground Lease; (b) the Regulatory Agreement; (c) the Notice of Affordability Restrictions; (d) Security Financing Interests, if any, to be recorded in connection with the ground lease; and (e) Security Financing Interests to be recorded in connection with any Third Party Loan and any other Residual Receipts Loan.

ARTICLE 4. METHOD OF FINANCING

4.1 Total Development Costs.

The parties estimate that the Total Development Costs will be as set forth in the Project Budget, to be financed as set forth in Developer's Financing Plan for the Project.

4.2 Construction Period Financing.

The Parties anticipate that construction period financing (after Close of Escrow) will be provided from a combination of loans and equity, including but not limited to the following:

a. Construction Loan. One or more construction or construction/permanent loans (each, a "Construction Loan" and collectively, the "Construction Loans") derived from the issuance of Tax-Exempt Mortgage Revenue Bonds and disbursed by a bank or other lender approved in advance by HCID General Manager or designee ("Construction Lender") in the approximate original principal amount set forth in the "Construction" sources column in the Project Budget. It is anticipated that disbursements of the Construction Loan shall be subject to a process for the City review of Construction Lender disbursements, to be negotiated and provided in an Intercreditor Agreement, if any, to which the City and the Construction Lender will be parties. It is anticipated that the Construction Loan will be disbursed to pay Development Costs and

reduced to the amount set forth in the "Permanent" sources column in the Project Budget, after the conversion of the Construction Loan in accordance with its terms.

b. Developer Equity. Equity from the Developer (the "Developer Equity"), consisting of the following:

(i) Funds in an amount set forth in the Project Budget , to be provided by the Tax Credit Equity Investor, derived from Low Income Housing Tax Credits, Historic Tax Credits and other applicable tax credits ("Investor Member/Partner Capital Contribution"), which shall be disbursed in one or more installments as provided in Developer's Amended and Restated Partnership Agreement; and

(ii) A deferred portion of the Developer Fee, in the amount set forth in the Project Budget (the "Deferred Developer Fee"), constituting that portion of the Developer Fee to be paid to Developer from Revenue, before calculating Residual Receipts.

(iii) Developer Equity Contribution made directly to the project by the Developer that is not part of the deferred developer fee or a tax credit investor equity contribution. The Developer Equity Contribution can only be repaid through the Developer's share of residual receipts; the Developer Equity Contribution will not be secured by a promissory note; and the Developer Equity Contribution can only be repaid upon sale/transfer of the Project after the Acquisition Loan is repaid in full.

Developer shall be responsible for providing or securing any additional funds which may be needed to pay for cost overruns and contingencies not otherwise funded by the sources of Construction Financing described above.

Developer Equity described in this paragraph b. shall consist of funds provided by Developer, or borrowed funds, as long as repayment is not secured by any deed of trust on the Site.

4.3 Permanent Sources of Financing.

The Parties anticipate that permanent financing will be provided from a combination of loans and equity, including but not limited to the following:

a. One or more permanent loans or construction loans that convert to permanent loans (each a "Permanent Loan" and collectively the "Permanent Loans") in the original principal amount as set forth in the Project Budget, secured by one or more Third Party Lender deeds of trust (the beneficiaries of which shall include the Permanent

Lender, any credit enhancer or permanent financing guaranty facility, referred to herein collectively as the "Third Party Permanent Lenders", and, together with the Third Party Construction Lenders, described above, referred to as the "Third Party Lenders").

- b. Developer Equity, as described in subsection 4.2(b), above.
- c. Developer Deferred Developer Fee.
- d. Other funding sources such as Measure HHH, Multifamily Housing Program (MPH), Mental Health Services Act (MHSA), Affordable Housing Sustainable Communities (AHSC), Infill Infrastructure Grant (IIG), and Project Based Vouchers (PVB).

ARTICLE 5. SCOPE OF DEVELOPMENT/DESIGN REQUIREMENTS.

5.1 Design in Conformance with Scope of Development, Residential Citywide Design Guidelines and Approved Project Documents.

a. In designing and constructing the Project, the Developer shall cause all Project Documents to be consistent with the Scope of Development and City's Multifamily Housing Design Guidelines, and requirements of the HHH Loan Agreement for the Project, if any, unless otherwise approved by the City. The Scope of Development shall establish the baseline design standards from which the Developer shall prepare all subsequent Project Documents.

b. As required by the Scope of Development, the Developer shall follow the Environmentally Responsive Design guidelines and Sustainable Building Methods section established in HCID Architectural Design Guidelines of (March 19, 2007) and consistent with TCAC Regulation's Minimum Constructions Standards requirements adopted on May 17, 2017, as well as the latest California Energy Commission requirements which are reflected in the Building Codes (in particular Volume 3, Green Building Code) and with which all projects must comply according to their project type.

5.2 City Review.

The City shall not be responsible for any aspects of Developer's conduct in connection with the Project, including, but not limited to, the quality and suitability of the Project Documents, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the City with reference to the Project is solely for the purpose of determining whether the Developer is properly discharging its obligations to the City, and shall not be relied upon by the Developer or by any third parties as a warranty or representation by the City as to the quality of the design or construction of the Project.

ARTICLE 6. CONSTRUCTION OF THE IMPROVEMENTS.

Except for Section 6.6 (Relocation), if applicable, the provisions of this Article 6 are intended to apply only after the Close of Escrow, if at all.

6.1 Commencement of Construction.

The Developer shall commence construction of the Improvements within the time set forth in the Schedule of Performance.

6.2 Completion of Construction.

The Developer shall prosecute to completion, with diligence that is reasonable under all the circumstances, the construction of the Improvements, and shall complete or cause to be completed the construction of the Improvements within the time set forth in the Schedule of Performance. As between the City and the Developer, the Developer shall be solely responsible for the construction of the Improvements.

6.3 Construction Pursuant to Scope and Plans.

a. The Developer shall construct the Improvements in accordance with the Scope of Development, the approved Final Construction Drawings, and the terms and conditions of all City approvals and any other governmental approvals.

b. Any proposed material variation from the previously approved Final Construction Drawings shall be submitted to the HCID General Manager or designee for written approval. HCID shall approve or disapprove a proposed material variation within fifteen (15) Business Days after receipt by HCID. If HCID rejects the proposed material change, then HCID shall provide the Developer with the specific reasons therefor, and the approved Final Construction Drawings shall continue to control. For purposes of this Section 6.3, a material variation from the previously approved Final Construction Drawings shall consist of any of the following: (1) any change in building materials or equipment, specifications, or the architectural, functional or structural design of the Improvements that is of lesser quality, durability or appearance or which does a poorer job of meeting the City's urban planning and design objectives as set forth in the Scope of Development; (2) any change (increase or decrease) that cumulatively exceeds ten percent (10%) of the budgeted cost of any one line item at any time; or (3) any set of changes (increase or decrease) that cumulatively exceeds ten percent (10%) of the hard cost budget.

c. Developer shall comply with all orders to comply with building codes and other governmental health and safety regulations. Any change from Approved Final Construction Drawings which is required for compliance with building codes or other government health and safety regulations shall not be deemed a material change for

purposes of Section 5.5 and this Section 6.3. However, the Developer shall submit to HCID any proposed change that is required for such compliance as soon as possible, but in any event prior to the commencement of any such work, and such change shall become a part of the approved Final Construction Drawings, binding on the Developer. Any increase in Total Development Costs resulting from any such change shall be the obligation of Developer. The City shall have the right in its sole discretion, but not the obligation, to impose conditions on Developer's performance of any such changes that are reasonable in light of all the circumstances.

d. Throughout the construction of the Improvements, the City shall have the right in its discretion, but not the obligation, to inspect the Site as provided in Section 6.10 of this Agreement, and, to the extent permitted by any Inter-creditor Agreement, to review and provide comments to other lenders regarding the disbursement of construction sources of financing.

6.4 Certificate of Completion.

a. Within ten (10) Business Days after written request by Developer following Completion of construction in accordance with the Scope of Development and Final Construction Drawings (as the same may have been revised with the written approval of the HCID General Manager or designee pursuant to Section 6.3 of this Agreement), and (if applicable) upon Developer's obtaining a certificate of occupancy or temporary certificate of occupancy from the City, the City shall deliver to Developer a Certificate of Completion.

a. The City shall not unreasonably withhold a Certificate of Completion but shall not be obligated to issue such Certificate until construction of the Improvements has been completed in accordance with all the terms of this Agreement. Such Certificate of Completion shall be, and shall so state, conclusive determination of satisfactory Completion of the Improvements meeting the requirements of Article 5 and Sections 6.1 through 6.3, inclusive, of this Agreement. In the event any requirements of this Agreement relating to the construction of the Improvements, including, but not limited to any requirements of this Article 6, have not been fully satisfied by Developer as of the date of Developer's request for a Certificate of Completion, the HCID General Manager or designee may deny Developer's request for a Certificate of Completion or issue the Certificate of Completion subject to such conditions subsequent as the HCID General Manager or designee may deem necessary to ensure full satisfaction with all the requirements of this Agreement.

c. The Certificate of Completion shall be in such form as to permit it to be recorded in the Office of the Recorder of Los Angeles County. If the City fails to deliver the Certificate of Completion within ten (10) Business Days after written request from Developer, HCID shall provide Developer with a written statement of its reasons (the "Statement of Reasons") within that ten (10)-Business Day period. The statement shall

also set forth the actions Developer must take to be entitled to obtain the Certificate of Completion. If the reasons are confined to the immediate unavailability of specific items or materials for landscaping, or to so-called "punch list" items identified by HCID, HCID shall issue the Certificate of Completion upon the delivery of a bond or letter of credit by Developer with the City in an amount representing the City's estimate of the cost to complete the work, or other security deemed sufficient by HCID's General Manager or designee to ensure completion of the work. Notwithstanding any other provision of this Agreement, the failure by the City to issue a Certificate of Completion within any period of time after request by Developer shall not be deemed to constitute the City's concurrence that construction of the Improvements has been completed as required by this Agreement.

d. Such Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any Senior Lender, or any insurer of a mortgage securing money loaned to finance the Improvements, or any other person or entity. Such Certificate of Completion is not notice of completion as referred to in Section 3093 of the California Civil Code. Such Certificate of Completion shall not be deemed to constitute completion or satisfaction of any obligations of the Developer under the City Development Documents, except those set forth in Article 5 and Sections 6.1 through 6.3 of this Agreement.

e. As a condition of issuance of the Certificate of Completion, Developer's CASP shall certify that the Project has been constructed in compliance with all applicable disabled access requirements as of the date of the Project's completion (when the last certificate of occupancy is issued by the City).

6.5 Compliance with Applicable Law and City Policies.

The Developer shall cause all work related to construction of the Improvements to be performed in compliance with: (a) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, (including, without limitation, the prevailing wage provisions of Sections 1770 et seq. of the California Labor Code); (b) all applicable directives, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction; (c) all applicable disabled access requirements; and (d) all applicable City policies that are effective as of the Effective Date of this Agreement, provided the Parties may make later-adopted City policies applicable to the Project by their mutual approval of an amendment to this Agreement specifically incorporating such policies. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Developer shall be responsible for the procurement and maintenance of such documents required of Developer and of all entities engaged in Project work at the Site.

6.6 Relocation.

a. If and to the extent disposition of the leasehold interest in the Site or any aspect of development or operation of the Project results in the permanent or temporary displacement of any occupants of the Site, the following shall apply: (1) Developer shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance and payment of monetary benefits (collectively referred to as the "Relocation Laws"); and (2) Developer shall be solely responsible for payment of any relocation benefits (if any) to any displaced persons and any other obligations (if any) associated with complying with the Relocation Laws, including, but not limited to, moving assistance, rent vouchers and the cost of a relocation consultant selected by the City. If the Developer is determined by a court of competent jurisdiction or any government agency to be in violation of any Relocation Laws as described in this section, the City may, in its sole discretion, declare Developer to be a "non-responsible Contractor" pursuant to the City's Policy on Contractor Responsibility (Exhibit 1 of Part II of Exhibits), and ineligible to apply for any future City contracts or financial assistance. Developer also hereby agrees to indemnify, defend and hold the City harmless from any and against any and all claims and liabilities arising directly or indirectly as a result of or in connection with the breach of Developer's obligations set forth in this Section 6.6. This indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent and lease related debts pursuant to this Agreement, Ground Lease, and City Development Documents, reconveyance of the City Leasehold Deed of Trust, if any, Regulatory Agreement, and Notice of Affordability Restrictions and the termination of this Agreement.

b. If applicable, Developer shall submit the Relocation Plan to the City for review and approval, and Developer hereby acknowledges that City has approved a Relocation Plan for the Site (the "Relocation Plan"). Developer agrees to perform all of the obligations to be performed by Developer and comply with the terms and conditions of the Relocation Plan.

6.7 Construction Signs.

Prior to the commencement of construction, the Developer shall prepare and post on the Site construction signs in accordance with the City's sign standards. The construction signs shall identify the Project as one that is being assisted by the City and shall recognize, at a minimum, the Mayor of the City of Los Angeles, the City Council Member for the Council District in which the Project is located, and the HCID General Manager. The construction signs shall be erected on the Site such that they are reasonably visible to the public throughout the construction period.

6.8 Publicity.

Any publicity generated by Developer for the Project shall make reference to the contribution of HCID in making the Project possible. The words "Housing and Community Investment Department of the City of Los Angeles (HCID)" shall be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews and newspaper articles. Developer further agrees to cooperate with authorized staff and officials of HCID in any HCID-generated publicity or promotional activities undertaken for the Project.

6.9 Progress Reports.

Until a Certificate of Completion has been issued by the City, the Developer shall: (a) provide HCID with periodic progress reports on the Project's construction status; and (b) attend status conferences relating to construction and/or compliance with City policies and City ordinances and the conditions of this Agreement. Such conferences shall occur as reasonably requested by the City, but not more often than monthly.

6.10 Entry onto the Site by the City.

Until a Certificate of Completion has been issued by the City, the Developer shall permit the City Representatives to enter the Site at all reasonable times and upon reasonable notice to: (a) inspect the construction work and determine if it conforms with the Scope of Development, the approved Final Construction Drawings and the Project Budget; or (b) inspect the Site for compliance with this Agreement. Except in the event of inspections regarding safety or compliance with City policies and City ordinances, reasonable notice shall mean at least 48 hours written notice. The City shall be under no obligation to (aa) supervise construction, (bb) inspect the Site or (cc) inform the Developer of information obtained by the City during any inspection. The Developer shall not rely upon the City for any supervision or inspection. The rights granted to the City pursuant to this section are in addition to any rights of entry and inspection the City may have in exercising its municipal regulatory authority.

6.11 Mechanics' Liens.

Developer shall promptly pay when due all amounts payable for labor and materials furnished in the performance of the Project so as to prevent any lien or other claim under any provision of law from arising against the City or the Site (including reports, documents, and other tangible or intangible matter produced by Developer related to the Project), against Developer's rights to payments hereunder, or against the City, and shall pay all amounts due under the Unemployment Insurance Act with respect to such labor.

The Developer shall indemnify the City and hold the City harmless against and defend the City in any proceeding related to any mechanic's lien, stop notice or other claim brought by a subcontractor, laborer or material supplier who alleges having supplied labor or materials in the course of the construction of the Project by the Developer. This

indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of City Rent, termination of Regulatory Agreement, withdrawal of Notice of Affordability Restrictions and the termination of this Agreement.

6.12 Non-Discrimination During Construction; Equal Opportunity.

The Developer, for itself, its successors and assigns, and transferees agrees that in the construction of the Project provided for in this Agreement:

a. The Developer shall not discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, disability, actual and perceived, medical condition, age, marital status, transgender status, sex, sexual orientation, Acquired Immune Deficiency Syndrome (AIDS), actual or perceived, or retaliation for having filed a discrimination complaint or any additional basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, as such provisions may be amended from time to time (collectively, the "Nondiscrimination Factors"). The Developer shall take affirmative steps to ensure that applicants are employed by the Developer, and that its employees are treated without regard to the Nondiscrimination Factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Developer agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein.

b. The Developer shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Agreement, the Developer shall not discriminate in its employment practices, including compensation, against any employee, or applicant for employment because of such person's race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency syndrome (AIDS), acquired or perceived citizenship, political affiliation or belief. The Developer shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, 11478, 12086, and 12107 and as supplemented in the Department of Labor regulations (41 CFR Part 60).

c. Unless otherwise exempt, this Agreement is subject to the non-discrimination provisions in Section 10.8 through 10.8.2 of the Los Angeles Administrative Code as amended from time to time. The Developer shall and shall cause all contractors and subcontractors to comply with the applicable non-discrimination and

affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Agreement, Developer, its contractors and/or subcontractors shall not discriminate in its employment practices, including compensation, against any employee or applicant for employment because of such person's race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship and political affiliation or belief. The Developer shall also comply with all rules, regulations, and policies of the City's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by City. Any contract or subcontract entered into by Developer to the extent allowed hereunder, shall include a like provision for work to be performed under this Agreement.

Failure of the Developer to comply with this requirement or to obtain the compliance of its contractors or subcontractors with such obligations shall subject the Developer to the imposition of any and all sanctions allowed by law, including but not limited to termination of the Developer's contract with the City.

d. The Developer shall ensure that its solicitations or advertisements for employment are in compliance with the aforementioned Nondiscrimination Factors; and

e. The Developer shall insert the foregoing provisions in all contracts for the construction of the Project entered into by the Developer after the Effective Date of this Agreement and ensure that its General Contractor shall insert the foregoing provisions in the General Contractor's subcontracts; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

f. For purposes of this Section 6.12, the term "Developer" shall mean and include the Developer and the Developer's General Contractor and subcontractors of any tier engaged by Developer in the construction of the Project.

6.13 Affirmative Outreach in Contracting Procedures and Employment, Including Utilization of Project Area, Minority, Women and Other Businesses and Persons.

a. Use of Disadvantaged and Local Businesses. The parties hereby acknowledge that California Health and Safety Code Section 33422.1 provides: "To the greatest extent feasible, contracts for work to be performed in connection with any redevelopment project shall be awarded to business concerns which are located in, or owned in the substantial part by persons residing in, the project area." Therefore, in

consideration of the assistance provided to the Project by the City, Developer hereby agrees:

(i) To the greatest extent feasible, Developer shall seek out and award and require the award of contracts and subcontracts for development of the Site to contracting firms which are located or owned in substantial part by persons residing in the Redevelopment Project Area, and to promote outreach to minority-owned, women-owned and other businesses. This requirement applies to both the construction and operation of the Improvements.

(ii) This paragraph shall require significant efforts of the Developer and its contractors but shall not require the hiring of any person unless such person has the experience and ability, and, where necessary, the appropriate trade union affiliation, to qualify such person for the job.

b. Employment of Project Area Residents. The Parties hereby acknowledge that California Health and Safety Code Section 33422.3 provides: "To insure training and employment opportunities for lower-income project area residents, the agency may specify in the call for bids for any contract over one hundred thousand dollars (\$100,000) for work to be performed in connection with any redevelopment project that project area residents, if available, shall be employed for a specified percentage of each craft or type of workmen needed to execute the contract or work." Therefore, in consideration of the assistance provided to the Project by the City, Developer agrees as follows:

(i) Developer shall in all general contracts for the construction of the Improvements (and its contractors shall in all subcontracts thereunder), require that to the greatest extent feasible, the labor force in all categories be comprised of residents of the Redevelopment Project Area; and

(ii) Developer and its contractors shall be subject to and shall comply with the terms of the Standard City Contracting Requirements, with all amendments thereto. Developer hereby agrees to the terms of these requirements and shall ensure that its General Contractor agrees to these terms.

c. Community Outreach Plan. Developer acknowledges that it is the policy of the City to promote the economic advancement of minorities and women as well as other economically disadvantaged persons through employment and the award of contracts and subcontracts in redevelopment project areas, and to provide Minority-owned Business Enterprises ("MBE"), Women-owned Business Enterprises ("WBE") and all other business enterprises ("OBE") with an equal opportunity to compete for and

participate in the performance of City-assisted contracts. To carry out such policy, Developer agrees to comply with this Section 6.13.c. as follows:

(i) Submission of Plan: By the date set forth in the Schedule of Performance, the Developer and Developer's development team (including at a minimum, the General Contractor and Project Architect) shall meet with the City's Office of Audits and Compliance to hold a preconstruction meeting, to establish Project procedures, determine progress towards preliminary construction requirements, review City and other governmental policies and requirements and delineate the roles and responsibilities of Project participants. During the preconstruction meeting, the Developer shall be provided with the policies and procedures of the City regarding prevailing wage requirements and MBE, WBE and OBE outreach efforts, including the development of a community outreach plan (containing the items described in paragraph c.(2), below). At the preconstruction meeting, HCID shall provide to the Developer samples of community outreach plans which have been approved by the City. Prior to commencing construction, the Developer shall submit to the HCID General Manager or his/her designee, for approval or disapproval, a community outreach plan for the Project (the "Community Outreach Plan"), as part of the Community Benefits Plan for the Project. The Community Outreach Plan shall set forth the methods the Developer shall use to comply with this Section 6.13. Upon receipt of the Community Outreach Plan, the City shall, within twenty (20) Business Days, approve or disapprove the Community Outreach Plan, or provide to the Developer a statement of actions required to be taken in order for the Community Outreach Plan to be approved. If the City fails to respond within such twenty (20) Business Day period, the Community Outreach Plan shall be deemed disapproved by the City. The Developer shall not commence construction unless the Community Outreach Plan has been approved by the City.

(i) Contents of the Community Outreach Plan: The Community Outreach Plan shall include, at a minimum:

(1) Estimated total dollar amount (by trade) of all contracts and subcontracts to be let by the Developer or its General Contractor for the Improvements;

(2) List of all proposed contractors to be awarded a contract by the Developer or the General Contractor;

(3) Estimated dollar value of all proposed contracts;

(4) Evidence of Minority and Women Business Enterprise (“M/WBE”) Certification of all firms listed as an MBE or WBE in the Community Outreach Plan. Firms purporting to be M/WBE do not require M/WBE Certification if their contract amount is less than Twenty Five Thousand Dollars (\$25,000). Any firm for which the contract amount exceeds Twenty Five Thousand Dollars (\$25,000) and which is not certified by the City of Los Angeles may not be considered an MBE or WBE for purposes of this Agreement;

(5) Developer agrees and shall cause any contractors and subcontractors for the Project to agree and obligate itself to utilize the services of Minority, Women and Other Business Enterprise firms on a level so designated in its proposal, if any. Developer certifies and shall cause any contractors and subcontractors to certify that it has complied with Mayoral Directive 2001-26 regarding contracts greater than \$100,000 (One Hundred Thousand Dollars), if applicable. Developer shall not change any of these designated contractors or subcontractors, nor shall Developer reduce their level of effort, without prior written approval of the City.

(6) Description of the actions to be taken to meet the project area resident and business utilization objectives; and

(7) Such other information and documentation with respect to the foregoing objectives as the City may reasonably deem necessary.

d. General Information. During the construction of the Improvements, the Developer shall provide to the City such information and documentation as reasonably requested by the City to carry out this Section 6.13. The Developer shall monitor and enforce the affirmative outreach and equal opportunity requirements set forth in this Agreement. In the event the Developer fails to monitor or enforce these requirements, the City may declare the Developer in default of this Agreement (subject to the notice and cure rights provided in this Agreement) and thereafter pursue any of the remedies available under this Agreement.

6.14 Cost of Development.

Developer shall bear all costs and expenses incurred in connection with the construction and maintenance of all Improvements, including, without limitation, all costs incurred in connection with the investigation, leasehold interest conveyance and preparation of the Site for development, all off-site improvements, building and Developer fees, and all costs of investigation, leasehold interest conveyance and/or preparation of any Project Documents or other submissions made by Developer pursuant to this Agreement. Developer shall pay when due, and shall cause its General Contractor to pay

when due, all valid invoices for materials, equipment, labor and services incurred in connection with the development of the Project.

6.15 Prevailing Wages.

a. The Developer shall pay or cause to be paid to all workers employed in connection with the development of the Improvements, not less than the prevailing rates of wages, as provided in the statutes applicable to City public work contracts, including without limitation Sections 33423-33426 of the California Health and Safety Code and Sections 1770-1781 of the California Labor Code. Copies of the currently applicable per diem prevailing wages are available from the HCID at 1200 West 7th Street, 8th Floor, Los Angeles California 90017. During the construction of the improvements, Developer shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. The Developer shall and shall cause the contractors and subcontractors to submit data and documents related to prevailing wage by using the LCP Tracker or comparable HCID-approved program. The fee for the LCP Tracker, or comparable HCID-approved program, will be in the amount equal to Three Hundredth Percent (0.03%) of the total construction cost to be paid in full within 30 days from the execution of this Agreement.

b. If the construction work covered under this Agreement is financed in whole or in part with assistance provided under a program of the U.S. Department of Housing and Urban Development or some other source of federal funding, the Developer shall comply with or cause its General Contractor and all subcontractors to comply with the requirements of the Davis-Bacon Act (40 U.S.C. 276 et. seq.). The Davis-Bacon Act requires the payment of wages to all laborers and mechanics at a rate not less than the minimum wage specified by the Secretary of Labor in periodic wage rate determinations as described in the Federal Labor Standards Provisions (HUD-4010). In the event both State Prevailing wages and Davis-Bacon Act wages shall be required, all works shall be paid at the higher of the two wage rates.

c. Prior to the commencement of construction, and as soon as practicable in accordance with the Schedule of Performance, the Developer shall contact the City to schedule a preconstruction orientation meeting with the Developer and with the General Contractor to explain such matters as the specific rates of wages to be paid to workers in connection with the development of the Improvements, preconstruction conference requirements, record keeping and reporting requirements necessary for the evaluation of the Developer's compliance with this Section 6.15.

d. Developer shall monitor and enforce the prevailing wage requirements imposed on its contractors and subcontractors, including withholding payments to those contractors or subcontractors who violate these requirements. In the event that Developer fails to monitor or enforce these requirements against any contractor or subcontractor, Developer shall be liable for the full amount of any underpayment of

wages, plus costs and attorneys' fees, as if Developer was the actual employer, and the City or the State Department of Industrial Relations may withhold monies owed to the Developer, may impose penalties on Developer in the amounts specified herein, may take action directly against the contractor or subcontractor as permitted by law, and/or may declare the Developer in default of this Agreement (subject to the notice and cure rights provided in this Agreement) and thereafter pursue any of the remedies available under this Agreement.

e. Any contractor or subcontractor who is at the time of bidding debarred by the Labor Commissioner pursuant to Section 1777.1 of the California Labor Code is ineligible to bid on the construction of the Improvements or to receive any contract or subcontract for work covered under this Agreement. The Developer agrees to include, or cause to be included, this paragraph (e) in all bid specifications for work covered under this Agreement.

f. Any contractor or subcontractor who, at the time of the date of this Agreement, is listed in the Lists of Parties Excluded From Federal Procurement or Nonprocurement Programs issued by the U.S. General Services Administration pursuant to Section 3(a) of the Davis-Bacon Act is ineligible to receive a contract for work covered under this Agreement, if the covered work is Federally funded in whole or in part.

g. Any contractor or subcontractor that is at the time of bidding debarred or declared non-responsible under the City's Contractor Responsibility Ordinance is ineligible to bid on the construction of the Improvements or to receive any contract or subcontract for work covered under this Agreement. Developer agrees to include, or cause to be included, this paragraph (g) in all bid specifications for work covered under this Agreement.

h. Developer agrees to include, or cause to be included, the above provisions in all bid specifications for work covered under this Agreement.

i. Developer shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Developer, its contractor and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq. and implementing regulation or comply with the other applicable provisions of Labor Code Sections 1720 et seq. and implementing regulations of the Department of Industrial Relations in connection with construction of the improvements or any other work undertaken or in connection with the Site. This indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent and any debts to the City pursuant to this Agreement, Ground Lease, and City Development Documents, reconveyance of the City Leasehold Deed of Trust, if any, Regulatory Agreement, and Notice of Affordability Restrictions and the termination of this Agreement.

j. For purposes of this Section 6.15, the terms “contractor” and “subcontractor” shall have the meaning set forth in the City Prevailing Wage Policy.

ARTICLE 7. USE OF THE SITE AND DEVELOPER OBLIGATIONS DURING AND AFTER CONSTRUCTION

7.1 Uses.

Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that Developer, such successors and such assignees shall use the Site only for the uses specified in the Redevelopment Plan, this Agreement (including the Scope of Development), and the Regulatory Agreement. No change in the use of the Site shall be permitted without the prior written approval of the City.

7.2 Affordability.

The Developer hereby agrees that, for the term of the Regulatory Agreement, the Affordable Units within the Improvements shall be used only for residential uses consistent with the Regulatory Agreement. All of the housing units in the Project (other than the resident manager’s unit) shall be made available and rented exclusively to Eligible Households in the income categories and at rents that do not exceed the respective affordability levels set forth in the Regulatory Agreement. In the event the Project contains both Affordable Units and dwelling units that are unrestricted as to rents and incomes, the Affordable Units shall to the maximum extent feasible be comparable to unrestricted units with the same number of rooms, in terms of size, location and amenities.

7.3 Allowable Rent.

For the term of the Regulatory Agreement, Developer shall not charge rent for an Affordable Unit that exceeds the applicable Affordable Rent for the income level of a Household that is eligible to rent that Affordable Unit (i.e., rent for a Moderate Income Unit shall not exceed a Moderate Income Rent, etc.), as set forth more specifically in the Regulatory Agreement.

7.4 Maintenance of the Site.

At all times after the Close of Escrow and prior to the completion of construction, Developer shall secure and maintain the Site or cause the Site to be secured and maintained in a safe, neat and orderly condition to the extent practicable and in accordance with industry health and safety standards for construction sites. Upon and at

all times after completion of construction, the Project shall be well maintained as to both external and internal appearance of all buildings, landscaping, common areas, and parking areas, conforming to the best practices of operators of comparable City-assisted affordable housing, and the requirements set forth in the Regulatory Agreement, if any, for the term of that agreement.

7.5 Management Requirements.

a. Operations and Maintenance. For the term of the Regulatory Agreement, Developer shall operate and maintain the Project in accordance with all applicable federal, state and local laws and rules, in conformance with the best practices of operators of comparable City-assisted affordable housing and the management requirements set forth in the Regulatory Agreement, and provide for the operation of the Project in a manner satisfactory to the City pursuant to the Management Plan (defined in the Regulatory Agreement). Not later than the time specified in the Schedule of Performance, the Developer shall submit to the HCID General Manager or designee for written approval, a Management Plan for the Project. The Developer shall submit the Management Plan and all necessary supporting information in such time to permit the HCID General Manager or designee to approve, disapprove or comment on the Management Plan twenty (20) Business Days prior to the completion of construction. The Management Plan, including such amendments as may be approved by the HCID General Manager or designee, shall remain in effect for the term of the Ground Lease or the term of the Regulatory Agreement, whichever is longer.

b. Just Cause Evictions. Developer shall include the following provision in all Developer leases and rental agreements for the Project:

“Owner may not terminate the tenancy or refuse to renew this lease or rental agreement except for good cause. The term “good cause” shall mean a serious or repeated violation of the material terms and conditions of the lease, or a violation of applicable federal, state or local law. To terminate the tenancy or refuse to renew the lease, Owner must provide written notice to the Developer of the grounds with sufficient specificity to enable to the Developer to prepare a defense. The notice must be served at least three Business Days before the termination of tenancy, and must comply with all requirements of California law and other applicable programs. Developer has the right to enforce this requirement in state court, including presenting a defense to any eviction action brought by Owner.”

7.6 Obligation to Refrain from Discrimination.

a. Developer covenants and agrees for itself, its successors and its assigns in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person or persons on any basis listed in subdivision (a) or

(d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. All deeds, leases, or contracts for the sale, lease, sublease, or other transfer of the Site shall contain or be subject to the nondiscrimination or non-segregation clauses hereafter prescribed.

b. Notwithstanding subdivision (a), with respect to familial status, subdivision (a) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in subdivision (a) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to subdivision (a).

7.7 Form of Nondiscrimination and Nonsegregation Clauses.

Developer shall refrain from restricting the rental, sale or lease of the Site as provided in Section 7.6, above. All deeds, leases or contracts for the sale, lease, sublease, or other transfer of the Site entered into after the date on which this Agreement is executed by the City shall contain or be subject to substantially the following nondiscrimination or non-segregation clauses:

a. (1) In deeds the following language shall appear--"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Developers, lessees, sub Developers, sub-lessees, or vendees in the Site herein conveyed. The foregoing covenants shall run with the land."

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

b. (1) In leases the following language shall appear--"The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Site herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of Developers, lessees, sub-lessees, sub Developers, or vendees in the Site herein leased."

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in paragraph (1) shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to paragraph (1).

c. In contracts entered into by the City relating to the sale, transfer, or leasing of land or any interest therein acquired by the City within any survey area or redevelopment project the foregoing provisions in substantially the forms set forth shall be included and the contracts shall further provide that the foregoing provisions shall be binding upon and shall obligate the contracting party or parties and any subcontracting party or parties, or other transferees under the instrument.

7.8 Barriers to the Disabled.

a. Compliance with all Accessibility Requirements. Developer shall comply with all applicable requirements of state, local and federal rules, laws and regulations relating to accessibility and reasonable accommodations for persons with disabilities, including, without limitation, the following to the extent any are applicable to the Project: Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 and implementing regulations at 24 CFR Part 8); the Americans with Disabilities Act (42 U.S.C. Sections 12131 *et seq.* and 12181 *et seq.*, and implementing regulations at 28 CFR Parts 35 and 36); the Fair Housing Act (42 U.S.C. Section 3601 *et seq.*, and implementing regulations at 24 CFR Part 100); the Fair Employment and Housing Act (California Government Code Section 12926); and Title 24 of the California Building Code. Without limiting the generality of the foregoing,

(i) residential and nonresidential projects that involve new construction or rehabilitation of existing buildings and that are financed in whole or in part with federal funds (e.g. CDBG, HOME) shall comply with all applicable requirements of Section 504 of the Rehabilitation Act of 1973 and all other applicable requirements;

(ii) projects that receive City or other nonfederal sources of funding shall comply with all applicable requirements of the Americans with Disabilities Act, the Fair Housing Act, the Fair Employment and Housing Act, Title 24 of the California Building Code, and all other applicable requirements;

(iii) commercial structures, and common areas and public use areas in residential projects, shall comply with all applicable requirements of the Americans with Disabilities Act, Title 24 of the California Building Code and all other applicable requirements.

Developer shall ensure that construction plans submitted for review by the City comply with all applicable requirements of law and that Project construction is carried out in conformity with approved plans.

b. ADA Certification. Developer hereby certifies as follows:

(i) Developer is in compliance with and shall continue to comply with the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. and its implementing regulations.

(ii) Developer shall provide for reasonable accommodations to allow qualified individuals with disabilities to have access to and participate in its programs, services and activities in accordance with the provisions of the Americans with Disabilities Act.

(iii) Developer shall not discriminate against persons with disabilities nor against persons due to their relationship or association with a person with a disability.

(iv) Developer shall require that the language of this Section 7.8 be included in the award documents for all sub-awards at all tiers (including subcontracts, and contracts under grants, loans and cooperative agreements) and that all subcontractors shall certify and disclose accordingly.

(v) The certification set forth in this Section is a material representation of fact upon which reliance was placed when the Parties entered into this transaction.

7.9 Effect and Duration of Covenants.

The covenants established in this Agreement shall run with the land, without regard to technical classification and designation, and shall be for the benefit and in favor of and enforceable against the original Developer and successors in interest by the City. The covenants described in this Article 7 shall commence upon execution of this Agreement, shall be set forth in the Regulatory Agreement and shall remain in effect for the respective periods specified therein.

7.10 Regulatory Agreement.

Prior to the Close of Escrow and execution of the Ground Lease, Developer and City shall execute the Regulatory Agreement and the Notice of Affordability Restrictions, which shall be recorded against the Site upon the Close of Escrow. The Regulatory Agreement shall have a term of not less than 55 years from the Certificate of Occupancy (COO).

7.11 Monitoring.

a. The parties acknowledge that this Agreement is subject to the provisions of Section 33418(a) of the California Health and Safety Code, which provides in pertinent part:

“An Agency shall monitor, on an ongoing basis, any housing affordable to persons and families of low or moderate income developed or otherwise made available pursuant to any provisions of this part. As part of this monitoring, an Agency shall require owners or managers of the housing to submit an annual report to the Agency. The annual reports shall include for each rental unit the rental rate and the income and family size of the occupants... The income information required by this section shall be supplied by the Developer in a certified statement of a form provided by the Agency.”

b. Developer, on behalf of itself, its successors and assigns, covenants and agrees to submit an annual report to HCID containing, for each Affordable Unit, the rental rate and the income and family size of the occupants. HCID shall provide the format to be used.

7.12 Indemnity.

a. Developer shall indemnify, defend (with counsel approved by the City) and hold harmless the City, and their respective elected and appointed officers, officials, employees, agents, consultants, and contractors (collectively, the "Indemnitees") from and against any and all liabilities, losses, costs, expenses (including without limitation attorneys' fees and costs of litigation), claims, demands, actions, suits, causes of action, writs, judicial or administrative proceedings, penalties, deficiencies, fines, orders, judgments and damages (all of the foregoing collectively "Claims") which in any manner, directly or indirectly, in whole or in part, are caused by, arise in connection with, result from, relate to, or are alleged to be caused by, arise in connection with, result from, or relate to: (i) approval of this Agreement and/or the Improvements; (ii) performance of this Agreement on the part of the Developer or any contractor or subcontractor of Developer; and/or (iii) the rehabilitation, operation, maintenance or management of the Improvements, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that the City does not and shall not waive any rights against Developer which it may have by reason of this indemnity and hold harmless agreement because of the acceptance by the City, or Developer's deposit with the City of any of the insurance policies described in this Agreement.

b. Developer shall pay immediately upon the Indemnitees' demand any amounts owing under this indemnity. The duty of Developer to indemnify includes the duty to defend the Indemnitees or, at the Indemnitees' choosing, to pay the Indemnitees' costs of its defense in any court action, administrative action, or other proceeding brought by any third party arising from the Improvements or the Site. The Indemnitees may make all reasonable decisions with respect to their representation in any legal proceeding, including, but not limited to, the selection of attorney(s). Developer's obligations set forth in this Section shall survive the issuance of the Certificate of Completion by the City, repayment of the City Rent and any debts to the City pursuant to this Agreement, Ground Lease, and City Development Documents, reconveyance of the City Leasehold Deed of Trust, if any, Regulatory Agreement, and Notice of Affordability Restrictions and the termination of this Agreement. Developer's indemnification obligations set forth in this Section 7.12 shall not apply to Claims arising solely from the gross negligence or willful misconduct of the Indemnitees.

7.13 Insurance Coverage.

Developer shall furnish or cause to be furnished to the City duplicate originals or certified copies of the insurance policies, complete with additional insured and loss payee endorsements, as applicable pursuant to this Agreement. Developer shall maintain and keep in full force and effect the following policies of insurance, issued by companies approved and regulated by the State Department of Insurance, commencing upon the execution of this Agreement or Developer taking leasehold title to the Site, whichever occurs later, including:

a. Developer and Developer's contractors and sub-contractors hired to perform work on the Site shall maintain Commercial General Liability insurance, to protect against Claims due to bodily injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Site and the Improvements, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of the City or Developer or any person acting for the City or Developer, or under their respective control or direction, and also to protect against Claims due to damage to any property of any person occurring on or about the Site and the Improvements, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of the City or Developer, its contractor(s) or subcontractor(s) or its Developers or any person acting for the City or Developer, or under their respective control or direction. Such property damage and bodily injury insurance shall also provide for and protect the City against incurring any legal cost in defending claims for alleged loss. Such bodily injury and property damage insurance shall name the Indemnitees as additional insureds. Such bodily injury and property damage insurance shall be in minimum limits of One-Million Dollars (\$1,000,000.00) per occurrence with a Five Million Dollars (\$5,000,000.00) aggregate; provided, however, the limitation on the amount of insurance shall not limit the responsibility of the Developer to indemnify the Indemnitees or to pay damages for injury to persons or property resulting from Developer's activities or the activities of any other person or persons for which Developer is otherwise responsible.

b. During construction and until a Certificate of Occupancy for the completed development has been issued by the City, Developer shall carry Builder's Risk coverage for the Improvements. After completion of construction, Developer shall maintain property insurance in an amount not less than the full insurable value of the Improvements with extended coverage including fire, windstorm, flood, vandalism, malicious mischief, earthquake (if commercially available at reasonable rates or as otherwise required), boiler and machinery if applicable, and other such perils customarily covered by an "All Risk" policy. Such policy shall include a loss payable endorsement naming the "**City of Los Angeles**" as loss payees. The term "full insurable value" as used above shall mean the actual replacement cost (excluding the cost of excavation, foundation and footings below the lowest floor and without deduction for depreciation) of the Improvements immediately before such casualty or other loss, including the cost of rehabilitation of the Improvements, architectural and engineering fees, and inspection and supervision. To ascertain the amount of coverage required, not less often than once every three (3) years, Developer shall cause the full insurable value of the Improvements to be determined, such determination to be either by appraisal of the insurer, or by an appraiser mutually acceptable to the City and the Developer. The manner of determination of value shall be agreed to in writing by Developer and the HCID General Manager or designee.

c. After the completion of construction, Developer shall maintain or cause to be maintained loss of rental income insurance with respect to the Improvements,

against the perils of fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such other perils ordinarily included in extended coverage policies.

d. Developer and its contractors and subcontractors shall maintain or cause to be maintained Workers' Compensation Insurance including Employer's Liability in limits of not less than One Million Dollars (\$1,000,000.00), issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Developer and its contractors and subcontractors in connection with the Site and the Improvements and shall cover claims for death, bodily injury, illness, or disease made by, for or on behalf of any person incurring or suffering injury, death, illness or disease in connection with the Site or the Improvements or the operation thereof by Developer.

e. Professional liability insurance shall be required of architects and engineers hired to perform work on the Improvements in limits of not less than One Million Dollars (\$1,000,000.000). Developer shall ensure that insurance for architects and engineers is received by the City prior to the commencement of any work on the Site.

f. Commercial automobile insurance coverage in minimum limits of not less than One Million Dollars (\$1,000,000.00) shall be required by Developer and/or Developer's contractors and sub-contractors hired to perform work on the Site for owned, hired, leased, and non-owned autos and shall be received by the City prior to the commencement of any work being performed on Site.

g. All required insurance policies shall not be subject to cancellation, reduction in coverage, or non-renewal except after notice in writing shall have been sent by registered mail addressed to both HCID not less than twenty (20) Business Days prior to the effective date thereof (ten (10) Business Days for nonpayment of premiums). **All policies where applicable must name the "City of Los Angeles" as additional insured.** The insurance policies or endorsements shall also contain a waiver of subrogation for the benefit of the City of Los Angeles.

h. All insurance provided under this Agreement shall be for the benefit of Developer and the City. Developer agrees to timely pay or cause to be paid all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance.

i. Developer shall submit proof of insurance and applicable endorsements as required by this Section to the City prior to the Close of Escrow. At least twenty (20) Business Days prior to expiration of any such policy, copies of renewal policies shall be submitted to the City.

j. All insurance herein provided for in this Agreement shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State of California reasonably approved by the City.

k. Subject to the provisions of any Construction and/or Permanent Lender's loan documents, all insurance proceeds with respect to loss or damage to the Improvements during the term of the Ground Lease shall be payable, under the provisions of the relevant insurance policy, jointly to Developer and the City, and said proceeds shall constitute a trust fund to be used for the restoration, repair or rebuilding of the Improvements in accordance with plans and specifications approved in writing by the City. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, such proceeds shall be applied to repay the City Rent. During any period when a Permanent Loan is outstanding, such proceeds shall be divided between the Permanent Lender and City in proportion to the balance of their respective loans. In the event of any fire or other casualty to the Improvements or eminent domain proceedings resulting in condemnation of the Improvements or any part thereof, the Developer shall have the right to rebuild the Improvements, and to use all available insurance or condemnation proceeds to pay costs in connection with rebuilding the Improvements, provided that (1) such proceeds are sufficient to pay City Rent and rebuild the Improvements in a manner that provides adequate security to the City for repayment of the City Rent or if such proceeds are insufficient then the Developer shall have funded any deficiency, (2) the City shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (3) no material default then exists under this Agreement, Ground Lease or City Development Documents. If the casualty or condemnation affects only part of the Improvements and total rebuilding is infeasible, then proceeds may be used for partial rebuilding.

l. The City reserve the right at any time during the term of this Agreement to change the amounts and types of insurance required hereunder by giving the Developer ninety calendar days written, advance notice of such change. If such change(s) should result in substantial additional cost to the Developer, the City agrees to negotiate additional compensation proportional to the increased benefit to the City of Los Angeles.

m. The City shall have the right in its sole discretion to accept insurance policies with lower limits than the minimum limits set forth in this Section 7.13.

7.14 Insurance Advances.

In the event Developer fails to maintain or cause to be maintained the full insurance coverage required by this Agreement, the City, after at least five (5) Business Days prior notice to Developer, may, but shall be under no obligation to, take out the required policies

of insurance and pay the premiums on such policies. Any amount so advanced by the City, together with interest thereon from the date of such advance at the highest rate of interest then allowed by applicable law, shall become an additional obligation of Developer to the City under this Agreement and shall be secured by a City Leasehold Deed of Trust.

7.15 Hazardous Materials.

a. The Developer hereby covenants and agrees that:

(i) The Developer shall not knowingly permit the Site or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Site in violation of any applicable law;

(ii) The Developer shall keep and maintain the Project and each portion thereof in compliance with, and shall not cause or permit the Project or any portion thereof to be in violation of any Hazardous Materials Laws;

(iii) Upon receiving actual knowledge of the same, the Developer shall within ten (10) days advise the City in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted or threatened against the Developer or the Project pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Developer or the Project relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Site in such quantities which require reporting to a government agency; or (D) the Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project classified as "border zone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Project under any Hazardous Materials Laws. If the City reasonably determine that the Developer is not adequately responding to a written directive or order from a regulatory body or court regarding a Hazardous Material Claim, the City shall have the right, upon ten (10) Business Days written notice to the Developer, to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and, if such claim could result in any liability or damage to

the City, to have its reasonable attorney's fees in connection therewith paid by the Developer.

(iv) As long as the Ground Lease is in effect, the Developer shall not take, without the City's prior written consent, which shall not be unreasonably withheld or delayed, any remedial action in response to the presence of any Hazardous Materials on, under, or about the Site (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

b. Hazardous Materials Indemnity. Without limiting the generality of the indemnification set forth in this Section 7.15, the Developer hereby agrees to indemnify, protect, hold harmless and defend (by counsel acceptable to the City) the City, its Council Members, officers, employees and agents from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of the Developer, its agents, employees, or contractors to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Project; (2) the presence in, on or under the Site of any Hazardous Materials not otherwise present before the Close of Escrow or any releases or discharges of any Hazardous Materials into, on, under or from the Project occurring after the Close of Escrow; or (3) any activity carried on or undertaken on or off the Project, subsequent to the conveyance of the Site to the Developer, by the Developer or any employees, agents, contractors or subcontractors of the Developer at any time occupying or present on the Project, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials at any time located or present on or under the Project (collectively "Indemnification Claims"). The foregoing indemnity shall further apply to any residual contamination on or under the Project, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials by the Developer, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. This indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent, termination of the Regulatory Agreement, withdrawal of the Notice of Affordability Restrictions and the termination of this Agreement.

c. No Limitation. The Developer hereby acknowledges and agrees that the Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under paragraph b. of this Section 7.15, above, are in no way limited or

otherwise affected by any information the City may have concerning the Site or the Project and/or the presence on or under the Site or within the Project of any Hazardous Materials, whether the City obtained such information from the Developer or from its own investigations.

7.16 Taxes and Assessments.

Developer shall pay prior to delinquency any and all real estate taxes and assessments (including any possessory interest tax) assessed and levied on the Site or any portion thereof and Developer hereby agrees to indemnify, defend and hold the City and all of the City's Representatives free and harmless against any and all Losses and Liabilities arising from the failure to pay when due such taxes and assessments. The City shall have the right, but not the obligation, to advance on behalf of Developer any amounts due as the result of real estate taxes and assessments (including any possessory interest tax) assessed and levied on the Site or any portion thereof. Developer shall immediately reimburse the City for any amount so advanced by the City, together with interest thereon from the date of such advance at the highest rate of interest then allowed by applicable law, and any such amount that is not paid when due shall become an additional obligation of Developer to the City secured by a City Leasehold Deed of Trust. This indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent, termination of the Regulatory Agreement, withdrawal of the Notice of Affordability Restrictions and the termination of this Agreement.

7.17 City's Living Wage Ordinance and Service Contractor Worker Retention Ordinance.

A. Unless otherwise exempt, this Agreement is subject to the applicable provisions of the Living Wage Ordinance (LWO) Section 10.37 et. seq. of the Los Angeles Administrative Code, as amended from time to time, and the Service Contractor Worker Retention Ordinance (SCWRO), Section 10.36 et seq., of the Los Angeles Administrative Code, as amended from time to time. Among other things, the Ordinances require the following:

1. Developer assures payment of a minimum initial wage rate to employees as defined in the LWO and as may be adjusted each July 1 and provision of compensated and uncompensated days off and health benefits as defined in the LWO.
2. Developer further pledges that it will comply with federal law proscribing retaliation for union organizing and will not retaliate for activities related to the LWO. Developer shall require each of its contractors and subcontractors within the meaning of the LWO to pledge to comply with the terms of federal law proscribing retaliation for union organizing. Developer shall deliver the executed pledges

from each such contractor and subcontractor to the City within ninety (90) days of the execution of the contract and subcontract. Developer's delivery of executed pledges from each such contractor and subcontractor shall fully discharge the obligation of the Developer with respect to such pledges and fully discharge the obligation of the Developer to comply with the provision in the LWO contained in Section 10.37.6(c) concerning compliance with such federal law.

3. The Developer and any contractor and subcontractor for the project, whether an employer, as defined in the LWO, or any other person employing individuals, shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the employer's compliance or anticipated compliance with the LWO, for opposing any practice proscribed by the LWO, for participating in proceedings related to the LWO, for seeking to enforce his or her rights under the LWO by any lawful means, or otherwise asserting rights under the LWO. Developer and any contractor and subcontractor for the project shall post the Notice to Employees Working on City Contracts Re: Living Wage Ordinance and Prohibition Against Retaliation provided by the City.
 4. Any contract and subcontract entered into by the Developer and any contractor and subcontractor for the project relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section and shall incorporate the provisions of the LWO and the SCWRO.
 5. Developer and any contractor and subcontractor for the project shall comply with all rules, regulations and policies promulgated by the City's designated administrative agency which may be amended from time to time.
- B. Under the provisions of Section 10.36.3 and Section 10.37.6 of the Los Angeles Administrative Code, the City shall have the authority, under appropriate circumstances, to terminate this Agreement and otherwise pursue legal remedies that may be available if the City determines that the subject Developer and any contractor and subcontractor has violated provisions of either the LWO or the SCWRO or both.
- C. Where under the LWO Section 10.37.6, the City's designated administrative agency has determined (a) that the Developer and any contractor and subcontractor for the project is in violation of the LWO in having failed to pay some or all of the living wage, and (b) that such violation has gone uncured, the City in such circumstances may impound monies otherwise

due the Developer in accordance with the following procedures. Impoundment shall mean that from monies due the Developer, the City may deduct the amount determined to be due and owing by the Developer and any contractor and subcontractor for the project to its employees. Such monies shall be placed in the holding account referred to in LWO Section 10.37.6 and disposed of under procedures described therein through final and binding arbitration. Whether the Developer and any contractor and subcontractor for the project is to continue work following an impoundment shall remain in the sole discretion of the City. The Developer and any contractors and subcontractors for the project may not elect to discontinue work either because there has been an impoundment or because of the ultimate disposition of the impoundment by the arbitrator.

- D. This Agreement is subject to the provisions of Section 10.37.4 of the Los Angeles Administrative Code, with all amendments and revisions thereto. Developer shall and shall cause any contractor and subcontractor for the Project to inform employees making less than Twelve Dollars (\$12.00) per hour of their possible right to the federal Earned Income Credit (EIC). Developer shall and shall cause any contractor and subcontractor for the Project to make available to employees the forms informing the employees about the EIC and the forms required to secure advance EIC payments from Developer, any contractor or subcontractor for the Project.

7.18 City's Equal Benefits Ordinance.

Unless otherwise exempt, this Agreement is subject to the provisions of the Equal Benefits Ordinance (EBO), Section 10.8.2.1 of the Los Angeles Administrative Code, as amended from time to time.

- A. During the performance of the project, the Developer certifies and represents that the Developer and any contractor and subcontractor will comply with the EBO.
- B. The failure of the Developer to comply or to ensure that any contractor or subcontractor comply with the EBO will be deemed to be a material breach of the Agreement by the City.
- C. If the Developer and any contractor and subcontractor fails to comply with the EBO, the City may cancel, terminate or suspend the Agreement, in whole or in part, and all monies due or to become due under the Agreement may be retained by the City. The City may also pursue any and all other remedies at law or in equity for any breach.
- D. Failure to comply with the EBO may be used as evidence against the Developer in actions taken pursuant to the provisions of Los Angeles

Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.

- E. If the City's designated Administrative Agency determines that a Developer has set up or used its contracting entity for the purpose of evading the intent of the EBO, the City may terminate the Agreement. Violation of this provision may be used as evidence against the Developer in actions taken pursuant to the provisions of the Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.
- F. The Developer shall post and shall ensure posting the following statement in conspicuous places at its place of business and the project available to employees and applicants for employment:

"During the performance of this project with the City of Los Angeles, the Developer and any contractor or subcontractor will provide equal benefits to its employees with spouses and its employees with domestic partners. Additional information about the City of Los Angeles' Equal Benefits Ordinance may be obtained from the Department of Public Works, Office of contract Compliance at (213) 847-1922".

7.19. Contractor Responsibility Ordinance.

Unless otherwise exempt, this Agreement is subject to the provisions of the Contractor Responsibility Ordinance, Section 10.40 et seq., of the Los Angeles Administrative Code, as amended from time to time, which requires Developer to update its responses to the responsibility questionnaire within thirty calendar days after any change to the responses previously provided if such change would affect Developer's fitness and ability to continue performing under the Agreement.

In accordance with the provisions of the Contractor Responsibility Ordinance, by signing this Agreement, Developer pledges, under penalty of perjury, to comply with all applicable federal, state and local laws in the performance of this Agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hours, and licensing laws which affect employees. The Developer further agrees to: (1) notify the City within thirty calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the Developer is not in compliance with all applicable federal, state and local laws in performance of this Agreement and project; (2) notify the City within thirty calendar days of all findings by a government agency or court of competent jurisdiction that the Developer and any contractor and subcontractor for the project has violated the provisions of Section 10.40.3 (a) of the Contractor Responsibility Ordinance; (3) ensure that its subcontractor(s), as defined in the Contract Responsibility Ordinance, submit a Pledge of Compliance to the City; and (4) ensure that its contractor and subcontractor, as defined in the Contractor Responsibility Ordinance, comply with the requirements of the Pledge of Compliance and

the requirement to notify the City within thirty calendar days after any government agency or court of competent jurisdiction has initiated an investigation or has found that the contractor or subcontractor has violated Section 10.40.3(a) of the Contract Responsibility Ordinance in performance of the contract or subcontract.

7.20 Slavery Disclosure Ordinance.

Unless otherwise exempt, this Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code, as may be amended from time to time. Developer certifies that it has complied with the applicable provisions of the Slavery Disclosure Ordinance. Failure to fully and accurately complete the affidavit may result in termination of this Agreement.

7.21 First Source Hiring Ordinance.

Unless otherwise exempt, this contract is subject to the applicable provisions of the First Source Hiring Ordinance (FSHO), Section 10.44 *et seq.* of the Los Angeles Administrative Code as amended from time to time.

- A. Developer shall, prior to the execution of the contract, provide to the Designated Administrative Agency (DAA) a list of anticipated employment opportunities that Developer estimates it will need to fill in order to perform the services under the contract.
- B. Developer further pledges that it will, during the term of the contract: (1) at least seven (7) business days prior to making an announcement of a specific employment opportunity, provide notifications of that employment opportunity to the Economic and Workforce Development Department (EWDD), which will refer individuals for interview; (2) interview qualified individuals referred by EWDD; and (3) prior to filing any employment opportunity, the Developer shall inform the DAA of the names of the Referral Resources used, the names of the individuals they referred, the names of the referred individuals who the Developer interviewed and the reasons why referred individuals were not hired.
- C. Any contract or subcontract entered into by the Developer relating to this contract, to the extent allowed hereunder, shall be subject to the provisions of FSHO, and shall incorporate the FSHO.
- D. Developer shall comply with all rules, regulations and policies promulgated by the DAA, which may be amended from time to time.

Where under the provisions of Section 10.44.13 of the Los Angeles Administrative Code the DAA has determined that the Developer intentionally violated or used hiring

practices for the purpose of avoiding the FSHO, that determination will be documented in the Awarding Authority's Contractor Evaluation, required under Los Angeles Administrative Code Section 10.39 *et seq.*, and must be documented in each of the Developer's subsequent Contractor Responsibility Questionnaires submitted under the Los Angeles Administrative Code Section 10.40 *et seq.* This measure does not limit the City's authority to act under the FSHO.

Under the provisions of Section 10.44.8 of the Los Angeles Administrative Code, the Awarding Authority shall, under appropriate circumstances, terminate this contract and otherwise pursue legal remedies that may be available if the DAA determines that the Developer has violated provisions of the FSHO.

7.22 Child Support Assignment Orders.

This Agreement is subject to the Child Support Assignment Orders Ordinance, Section 10.10 of the Los Angeles Administrative Code, as amended from time to time. Pursuant to the Child Support Assignment Orders Ordinance, Developer will fully comply with all applicable State and Federal employment reporting requirements for Developer's, contractor's and subcontractor's employees. Developer shall also certify that (1) Developer and any contractor and subcontractor will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) that the principal owner(s) of the Developer(s) are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) Developer and any contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with Section 5230 *et seq.* of the California Family Code; and (4) Developer and any contractor or subcontractor will maintain such compliance throughout the term of this Agreement.

Pursuant to Section 10.10b of the Los Angeles Administrative Code, the failure of Developer to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Developer(s) to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Developer under the terms of this Agreement, subjecting this Agreement to termination if such default shall continue for more than ninety (90) days after notice of such default to Developer by City.

Any contract and subcontract entered into by the Developer, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Developer to obtain compliance of its contractor and subcontractor shall constitute a default by the Developer under the terms of this Agreement, subjecting this Agreement to termination

where such default shall continue for more than ninety (90) days after notice of such default to Developer by the City.

Developer certifies that, to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in Section 7110(b) of the California Public Contract Code.

7.23 Enforcement of Employment Requirements.

In the event of underpayment of wages by Developer or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this Agreement or applicable law, may: (1) demand that Developer and/or any underpaying employer comply with these requirements; (2) demand that the underpaying employer pay the difference between the prevailing wage rates and the amount actually paid to workers; (3) withhold from Developer any Loan proceeds as may be necessary to compensate workers the full wages required under this Agreement (whether or not the Loan payee is directly responsible for the underpayment); (4) impose liquidated damages in the form of a forfeiture of up to fifty dollars (\$50) per calendar day for each worker paid less than the prevailing wage, the amount of such forfeiture to be determined solely by Lender according to the standards contained in California Labor Code Section 1775; and/or (5) pursue any lawful administrative or court remedy to enforce these requirements against the Developer and underpaying employer. Developer shall comply with any demand to pay any amounts due under this section within ten (10) calendar days of said demand. In addition, a worker who has been paid less than the prevailing wage rate shall have a right to commence an action or proceeding against the employer to collect the underpayment.

In the event of any violation or deficiency with respect to the equal opportunity and/or the MBE/WBE provisions herein, including failure to provide adequate documentation as specified herein, by Developer or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this Agreement or applicable law, may: (1) demand that any noncomplying party comply with these requirements; (2) withhold disbursement of Loan proceeds from Developer or any contractor or subcontractor until such violations are corrected; (3) impose liquidated damages on the noncomplying party in the form of a forfeiture of up to one thousand dollars (\$1,000) or one percent (1%) of the contract, whichever is less, the amount of such forfeiture to be determined solely by Lender; and/or (4) pursue any lawful administrative or court remedy to enforce these requirements. Any noncomplying party shall comply with any demand to correct any noncompliance within ten (10) business days of said demand.

Developer shall monitor and enforce the equal employment opportunity, minority- and women-owned business enterprises, and prevailing wage requirements imposed on its contractors and subcontractors, including withholding payments to those contractors

or subcontractors who violate these requirements. In the event that Developer fails to monitor or enforce these requirements against any contractor or subcontractor, Developer shall be liable for the full amount of any underpayment of wages, plus costs and attorneys' fees, as if Developer was the actual employer, and Lender may withhold payments to Developer, may impose liquidated damages on Developer in the amounts specified herein, may take action directly against the contractor or subcontractor as permitted by law, and/or may declare an Event of Default and pursue any of the other remedies available under this Agreement.

7.24 Fair Chance Initiative for Hiring Ordinance.

Unless otherwise exempt under Federal or State law, City Contractors and subcontractors with 10 or more employees are prohibited under Los Angeles Administrative Code Section 10.48 from seeking a job applicant's criminal history information until a job offer is made and from withdrawing a job offer unless the employer performs an assessment of the applicant's criminal history and the duties of the position. Contractors and subcontractors are required to include information regarding the ordinance in all job solicitations and advertisements and to post notices informing job applicants of their rights. Additional information and forms may be found at Department of Public Works, Bureau of Contract Administration at <http://bca.lacity.org/>.

7.25 Labor Compliance Meeting.

The Developer shall meet with HCIDLA's Labor Compliance staff for a pre-construction briefing on all City construction requirements prior to the issuance of a notice to proceed.

ARTICLE 8. ASSIGNMENT AND TRANSFERS

8.1 Definitions.

As used in this Article 8, the terms "Transfer" and "Permitted Transfer" shall have the respective meanings set forth in Section 1.2 of this Agreement.

8.2 Restrictions on Transfer.

a. Developer represents and agrees that its undertakings pursuant to this Agreement are for the purpose of redeveloping the Site and providing affordable rental housing for Low Income Households, and not for speculation in land holding. Developer further recognizes that the qualifications and identity of Developer are of particular concern to the City, in light of the following: (1) the importance of the redevelopment of the Site to the general welfare of the community; (2) the public assistance that has been made available by law and by the government for the purpose of making such redevelopment possible; and (3) the fact that a change in ownership or

control of Developer or any other act or transaction involving or resulting in a significant change in ownership or control of Developer, is for practical purposes a transfer or disposition of the property then owned by Developer. Developer further recognizes that it is because of such qualifications and identity that City is entering into this Agreement with Developer. Therefore, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein.

b. Developer shall not assign all or any part of this Agreement or the Site, or any interest herein, without the prior written approval of the City. Subject to review of documentation effectuating any such proposed assignment or transfer, the City shall provide written confirmation to Developer that a proposed assignment is a Permitted Transfer, if such be the case, as provided in Section 8.4.a., below.

c. For the reasons cited above, Developer represents and agrees for itself and any successor in interest that, without the prior written approval of the City, there shall be no significant change in the ownership of Developer or in the relative proportions thereof, or with respect to the identity of the parties in control of Developer or the degree thereof, by any method or means, except by Permitted Transfers.

d. Any assignment or transfer of this Agreement or the Site or any interest herein or therein or significant change in ownership of Developer, other than a Permitted Transfer, shall require the prior written approval of the City. To the extent the City's approval of an assignment or transfer is required by this Agreement, in granting or withholding its approval, the City shall base their decision upon: (i) the relevant experience, financial capability and reputation of the proposed assignee or transferee; and (ii) the effect, if any, of such proposed transfer on the public purposes of this Agreement. In addition, the City shall have the right, in its sole discretion, to disapprove any assignment or transfer of this Agreement or any interest herein or significant change in ownership of Developer or transfer of the Site that results in payment of consideration to any Person, prior to the issuance of the Certificate of Completion, that is not conditioned upon the issuance of the Certificate of Completion. In the event HCID denies a request for a Transfer or assignment of this Agreement, except a Permitted Transfer, HCID, as applicable, shall set forth its reasons for denying such request in writing.

e. Developer shall promptly notify the City of any and all changes whatsoever in the identity of the parties in control of Developer or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. Except for Permitted Transfers, any significant change (voluntary or involuntary) in ownership or control of Developer (other than changes occasioned by the death or incapacity of any individual or approved in advance in writing by the City) shall constitute a default under this Agreement. In the event of the death or incapacity of any individual who controls Developer or the managing member or general partner of Developer, any resulting change in the management of the Project or the control of the day-to-day operations of the Site and the Improvements shall be subject to the approval

of the HCID General Manager, which approval shall not be unreasonably withheld, conditioned or delayed.

8.3 Prohibited Transfers.

The limitations on Transfers set forth in this Article 8 shall apply from the Effective Date of this Agreement until the latest of (a) issuance of a Certificate of Completion by the City to the Developer; (b) the date the City Rent and City debts, if any, related to this Agreement, Ground Lease and City Development Documents, is repaid in full; and (c) the date the Regulatory Agreement expires. Except for Permitted Transfers and as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and shall not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the City. Any Transfer made in contravention of this Section 8.3 shall be void and shall be deemed to be a default under this Agreement, whether or not the Developer knew of or participated in such Transfer.

8.4 Effectuation of Transfers.

a. In the event of a Permitted Transfer, Developer shall submit to the City such documentation as the HCID General Manager or designee may determine is sufficient to document that such Transfer is a Permitted Transfer.

b. In the event of a Transfer other than a Permitted Transfer, the proposed transferee for which the City's approval is required shall have the relevant experience, financial capability and reputation necessary to fulfill the obligations undertaken in this Agreement by the Developer and otherwise acceptable to the City. HCID shall grant or deny approval of a proposed Transfer within thirty (30) calendar days of receipt by the HCID of the Developer's request for approval of a Transfer, by Notice as required by Section 11.2 of this Agreement, accompanied by the deposit required by paragraph e. of this Section 8.4, below, which request shall include evidence of the proposed transferee's business expertise and financial capacity.

c. Any Transfer otherwise authorized or approved pursuant to this Agreement (including Permitted Transfers and other Transfers for which the City's approval is required) shall not be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the City and in form recordable in the Office of the Los Angeles County Recorder, expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Agreement; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation.

d. Any assignment of rights and/or delegation of obligations under this Agreement in connection with a Transfer (whether or not the City's approval is required)

shall be in writing executed by Developer and the assignee or transferee, which written agreement shall name the City as expressed third party beneficiaries with respect to such agreement (the "Assumption Agreement") with a copy thereof delivered to the City within ten (10) Business Days after the effective date thereof. Upon assignment or transfer of this Agreement pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Project assumed by the assignee. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligations under this Agreement to indemnify the City with respect to the Project, the assignor shall retain such obligations and remain jointly and severally liable for such indemnity obligations with such assignee. This indemnity obligation shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent, termination of the Regulatory Agreement, withdrawal of the Notice of Affordability Restrictions and the termination of this Agreement.

e. Developer shall reimburse the City for all actual staff time and consultant (legal and financial) costs associated with the City's review and consideration of any request for approval of a Transfer. The City shall not be obligated to act on any request for approval of a Transfer unless Developer shall deposit with the City the sum of Ten Thousand Dollars (\$10,000), which amount shall be subject to adjustment equal to the cumulative annual increase, if any, in the Consumer Price Index since 2011, together with its request for approval of a Transfer. If the costs of the City's review is less than the amount deposited, the excess deposit shall be returned to Developer. If the costs of the City's review exceed the deposit amount, the City shall send the Developer a bill for the costs and Developer shall promptly pay the City the additional costs.

ARTICLE 9. SECURITY FINANCING AND RIGHTS OF LENDERS

9.1 No Encumbrances Except for Development Purposes.

a. Until the Conditions Precedent to the Close of Escrow set forth in Section 3.1 of this Agreement have been satisfied and the Close of Escrow occurs, Developer shall not place mortgages, deeds of trust, or any other encumbrances as security for loans on the Site.

b. From and after the Close of Escrow, mortgages, deeds of trust, and other real property security instruments are permitted to be placed upon the Developer's interest in the Site to the extent consistent with Developer's Financing Plan and Project Budget as approved by the City. Such permitted security instruments and related interests shall be referred to as "Security Financing Interests." The Developer shall promptly notify the City in writing of any Security Financing Interest that Developer intends to record against the Site. The documents evidencing the Security Financing Interests shall provide that in the event of a Developer default, the holder of the Security Financing Interest shall send notice of the default to the HCID concurrently with its notice to the Developer.

c. The Developer may record Security Financing Interests on the Site only for the purpose of securing Construction Loans and Permanent Loans identified in the Project Budget or Financing Plan approved by the City, and any refinancing of any such approved financing, subject to the City's consent.

d. No permitted Security Financing Interest will encumber any interest in the Site other than the leasehold interest of Developer in the leased premises under the City Ground Lease and Developer's fee ownership of the Improvements located on such leased Site.

9.2 Lender Not Obligated to Construct.

The holder of any Security Financing Interest authorized by this Agreement ("Permitted Lender") is not obligated to construct or complete any improvements or to guarantee such construction or completion, nor shall any covenant or any other provision of this Agreement be construed so to obligate such Permitted Lender. However, nothing in this Agreement shall be deemed to permit or authorize any such Permitted Lender to devote the Site or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

9.3 Notice of Default and Right to Cure.

a. Whenever the City delivers to Developer any notice of breach (or demand for performance) with respect to the commencement, completion, or cessation of the construction of the Project, HCID shall at the same time deliver such notice to each Permitted Lender and the Tax Credit Investor. Each Permitted Lender and the Tax Credit Investor shall (insofar as the rights of the City is concerned) have the right, but not the obligation, at its option, within twenty (20) Business Days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Any such increase in a Security Financing Interest, limited to the amount needed to cure or remedy such default, shall not require additional approval by the City. Nothing contained in this Agreement shall be deemed to permit or authorize any Permitted Lender to undertake or continue construction or completion of the Project (beyond the extent necessary to conserve or protect such improvements or construction already made) without first having expressly assumed in writing the Developer's obligations to the City under this Agreement. The Permitted Lender in that event must agree to complete, in the manner provided in this Agreement, the development of the Project. Any such holder properly completing the development of the Project pursuant to this section shall assume all rights and obligations of Developer under this Agreement and shall be entitled, upon written request made to the City, to a Certificate of Completion from the City.

b. If a non-monetary event of default occurs under the terms of this Agreement, prior to exercising any remedies hereunder, HCID shall give Developer, any Permitted Lender and the Tax Credit Equity Investor, as identified in Developer's LLC Agreement or partnership agreement, as the case may be, simultaneous notice of such default. If the default is reasonably capable of being cured within twenty (20) Business Days after such notice is received or deemed received, Developer shall have such period to effect a cure prior to exercise of remedies by the City under this Agreement. If the default is such that it is not reasonably capable of being cured within twenty (20) Business Days, and Developer (i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then Developer shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the City. If Developer fails to take corrective action or to cure the default within a reasonable time, the City shall give Developer, any Permitted Lender and the Tax Credit Equity Investor written notice thereof, whereupon the Tax Credit Equity Investor may exercise any authority it may have under the Developer's LLC Agreement or partnership agreement, as the case may be, and the Permitted Lender may exercise any authority it may have under its financing agreements with Developer, to take corrective action, which may include, among other things, removing and replacing the managing member or general partner with a substitute managing member or general partner who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event shall the City be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) calendar days after the notice of default is received or deemed received.

9.4 Failure of Permitted Lender to Complete Project.

In any case where six (6) months after default by the Developer, a Permitted Lender has not exercised its right to commence to complete the construction of the Project, or, having commenced to complete the construction of the Project has failed to complete the Project in a timely manner, the City shall be afforded those rights against such Permitted Lender it would otherwise have against the Developer under this Agreement.

9.5 Right of the City to Cure.

In the event of a default or breach by the Developer under the terms of any Security Financing Interest prior to the completion of construction of the Project, and if the Permitted Lender has not exercised its right to commence to complete the construction of the Project, or, having commenced to complete the construction of the Project has failed to complete the Project in a timely manner, the City may, upon prior written notice to the Developer, cure the default or breach, prior to the completion of any foreclosure. In such event, the City shall be entitled to reimbursement from the Developer

of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to a lien upon the Project and/or Site to the extent of such costs and disbursements. The City agree that such lien shall be subordinate to any Senior Loan, and the City shall execute from time to time any and all documentation reasonably requested by the Developer to effect such subordination.

9.6 Permitted Lenders to be Notified.

The Developer shall obtain and submit to the City acknowledgement of this Article 9 by each holder of a Security Financing Interest prior to recordation of such Security Financing Interest.

9.7 Modifications.

If a Permitted Lender or Tax Credit Equity Investor should, as a condition of providing funding for the Project, request any modification of this Agreement in order to protect its interests in the Project or this Agreement, the HCID General Manager shall consider such request in good faith consistent with the purpose and intent of this Agreement and the rights and obligations of the Parties under this Agreement. The HCID's General Manager shall have the authority to approve revisions to the terms of this Agreement requested in writing by a Permitted Lender or Tax Credit Equity Investor that are not material revisions if he/she reasonably determines that such revisions: (a) are limited to minor, technical or procedural matters; (b) do not increase the amount of the City Rent and debts to the City related to this Agreement, Ground Lease and city Development Documents; (c) do not result in a reduction of equity and loan funds sufficient to complete the Project; (d) do not materially adversely affect the economic feasibility of the Project; (e) do not materially adversely affect City fee title to the Site; (f) do not materially adversely affect the security of the City Leasehold Deed of Trust, if any; (g) do not materially modify the Conditions Precedent to the Close of Escrow; and (h) do not materially reduce any benefit to the City or the public pursuant to this Agreement. The City shall have the right to approve or disapprove such non-material changes in his/her sole discretion, or may refer such decision to HCID. Material revisions of this Agreement shall require the prior approval of the City.

ARTICLE 10. DEFAULT AND REMEDIES

10.1 Defaults – General.

a. Subject to the extensions of time set forth in Section 11.3 of this Agreement, failure or delay by either Party to perform or to comply with any term or provision of this Agreement shall constitute an Event of Default under this Agreement. The Party who fails or delays must commence to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence.

b. The injured Party shall give written notice of default to the Party in default, specifying the default complained of by the injured Party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failures or delays by either Party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by either Party in asserting any of its rights and remedies shall not deprive either Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

c. If a monetary Event of Default occurs, prior to exercising any remedies hereunder, the injured Party shall give the Party in default written notice of such default. The Party in default shall have a period of ten (10) Business Days after such notice is received or deemed received within which to cure the default prior to exercise of remedies by the injured Party.

d. If a non-monetary Event of Default occurs, prior to exercising any remedies hereunder, the injured Party shall give the Party in default notice of such default. If the default is reasonably capable of being cured within twenty (20) Business Days after such notice is received or deemed received, the Party in default shall have such period to effect a cure prior to exercise of remedies by the injured Party. If the default is such that it is not reasonably capable of being cured within twenty (20) Business Days, and the Party in default (i) initiates corrective action within said period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then the Party in default shall have such additional time as is reasonably necessary, but not more than one hundred eighty (180) calendar days, to cure the default prior to exercise of any remedies by the injured Party.

e. If Developer fails to take corrective action or cure the default within a reasonable time, HCID shall give each Permitted Lender and, as provided in paragraph f., below, the Tax Credit Equity Investor, notice thereof. The Tax Credit Equity Investor may take such action, including removing and replacing the managing member or managing general partner of Developer with a substitute managing member or managing general partner, who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. The City agrees to accept cures tendered by any Permitted Lender or Tax Credit Equity Investor within the cure periods provided in this Agreement, Ground Lease and City Development Documents. Additionally, in the event any Permitted Lender or Tax Credit Equity Investor is precluded from curing a non-monetary default due to a bankruptcy, injunction, or similar proceeding by or against Developer or the managing member or managing general partner of Developer, the City agrees to forbear from completing a foreclosure under this Agreement (judicial or non-judicial) during the period during which the Senior Lender or Tax Credit Equity Investor is so precluded from acting, not to exceed ninety (90) calendar days, provided such Tax Credit Equity Investor and Senior Lender are otherwise in compliance with the foregoing

provisions. In no event shall the City be precluded from exercising remedies if its rights become or are about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) calendar days after the first notice of default is given.

f. After Developer gives written notice to the City of the admission to Developer's limited liability company or limited partnership of the Tax Credit Equity Investor, HCID shall send to the Tax Credit Equity Investor a copy of all notices of default and all other notices that HCID sends to Developer, at the address for the Tax Credit Equity Investor as provided by written notice to the City by Developer.

10.2 Institution of Legal Actions.

In addition to any other rights or remedies (and except as otherwise provided in this Agreement), either Party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Los Angeles, State of California, in any other appropriate court of that county, or in the United States District Court for the Central District of California.

10.3 Applicable Law.

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

10.4 Acceptance of Service of Process.

a. In the event that any legal action is commenced by Developer against the City, service of process on the City shall be made by personal service upon the City Clerk, or in such other manner as may be provided by law.

b. In the event that any legal action is commenced by the City against Developer, service of process on Developer shall be made by personal service upon Developer (or upon the managing member or managing general partner or any officer of Developer) and shall be valid whether made within or without the State of California, or in such manner as may be provided by law.

10.5 Rights and Remedies Are Cumulative.

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude

the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

10.6 Damages.

Subject to the notice and cure provisions of Section 10.1 of this Agreement, if either Party defaults with regard to any of the provisions of this Agreement, the non-defaulting Party shall serve written notice of such default upon the defaulting Party. If the default is not cured within the time provided in Section 10.1 of this Agreement, the defaulting Party shall be liable to the non-defaulting Party for any damages caused by such default, and the non-defaulting Party may thereafter (but not before) commence an action for damages against the defaulting Party with respect to such default. In no event shall the City be liable to Developer for any attorney's fees.

10.7 Specific Performance.

Subject to the notice and cure provisions of Section 10.1 of this Agreement, if either Party defaults with regard to any of the provisions of this Agreement, the non-defaulting Party shall serve written notice of such default upon the defaulting Party. If the default is not cured within the time provided in Section 10.1 of this Agreement, the non-defaulting Party, at its option, may thereafter (but not before) commence an action for specific performance of the terms of this Agreement pertaining to such default.

10.8 Termination by Either Party.

Prior to the Close of Escrow, either Party shall have the right to terminate this Agreement, by providing written notice to the other Party, in the event of a failure of any Condition Precedent to the Close of Escrow as set forth in Section 3.1 of this Agreement, provided that such condition is for the benefit of and such failure is outside the control of the Party seeking to terminate this Agreement. Upon such termination, neither the City nor Developer shall have any further rights against or liability to the other under this Agreement, except for indemnification rights that survive termination of this Agreement.

10.9 Termination by the City.

a. Subject to the notice and cure provisions of Section 10.1 of this Agreement, the City shall have the right, prior to the Close of Escrow, to terminate this Agreement by providing written notice to Developer, in the event of a default by Developer or failure of any Condition Precedent to the Close of Escrow, including but not limited to the following:

(1) Developer fails to submit to the City evidence of financing or fails to satisfy any other Condition Precedent to the Close of Escrow, within the time established therefor in this Agreement or the Schedule of Performance; or

(2) Developer (or any successor in interest) assigns or attempts to assign any of Developer's rights in and to the Site or any portion thereof or interest therein, or this Agreement or any portion hereof, except as permitted by this Agreement; or

(3) there is substantial change in the ownership of Developer, or with respect to the identity of the parties in control of Developer, or the degree thereof contrary to the provisions of Section 8.2 of this Agreement; or

(4) Developer fails to submit any of the plans, drawings and related documents required by this Agreement by the respective dates provided in this Agreement therefor; or

(5) there is any other material default by Developer under the terms of this Agreement which is not cured within the time provided herein.

b. After the Close of Escrow but before the issuance of the Certificate of Completion, the City shall have the additional right to terminate this Agreement in the event any of the following defaults shall occur:

(1) Developer fails to commence construction of the Improvements as required by this Agreement and such breach is not cured within the time provided in Section 10.1 of this Agreement, provided that Developer shall not have obtained an extension or postponement to which Developer may be entitled pursuant to Section 11.3 hereof; or

(2) Developer abandons or substantially suspends construction of the improvements and such breach is not cured within the time provided in Section 10.1 of this Agreement, provided Developer has not obtained an extension or postponement to which Developer may be entitled to pursuant to Section 11.3 hereof; or

(3) Developer assigns or attempts to assign this Agreement, or any rights herein, or transfer, or suffer any involuntary transfer of the Site, or any part thereof, in violation of this Agreement, and such breach is not cured within the time provided in Section 10.1 of this Agreement; or

(4) Developer otherwise materially breaches this Agreement, and such breach is not cured within the time provided in Section 10.1 of this Agreement.

10.10 Survival.

Upon termination of this Agreement pursuant to this Article 10, all indemnification provisions set forth in this Agreement and any other provisions of this Agreement which by their terms are to survive termination hereof shall survive such termination. This Section 10.10 is for reference purposes only, and does not alter the scope or nature of the surviving provisions.

10.11 Inaction Not a Waiver of Default.

Any failures or delays by either Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

10.12 No Attorneys' Fees.

Should legal action be brought by either Party for breach of this Agreement or to enforce any provision, neither Party in such action shall be entitled to attorneys' fees, court costs and other litigation expenses, including, without limitation, expenses incurred for preparation and discovery, and on appeal.

10.13 Rights and Remedies Cumulative.

Except as otherwise provided, the rights and remedies of the Parties are cumulative, and the exercise or failure to exercise any right or remedy shall not preclude the exercise, at the same time or different times, of any right or remedy for the same default or any other default.

ARTICLE 11. GENERAL PROVISIONS

11.1 Developer Representations and Warranties.

The Developer represents and warrants to the City, as follows:

a. Organization. The Developer is _____, a California _____, whose co-general partner is _____, a California _____, whose member is _____, a California _____, each of which is duly organized, validly existing and in good standing under the laws of the State of California, with full power and authority to conduct its business as presently conducted and to execute, deliver and perform its obligations under this Agreement.

With copies to: Housing and Community Investment
 Department
 Asset Management Division
 1200 W. 7th Street, Suite 900
 Los Angeles, CA 90017
 Attn: Asset Manager

Developer:

Attn: _____

With copies to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 11.2. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

11.3 Enforced Delay: Extension of Time of Performance.

a. In addition to specific provisions of this Agreement, the time for performing non-monetary obligations pursuant to this Agreement shall be extended and non-monetary performance by either Party shall not be deemed to be in default where delays are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; acts of god; severe or unusual shortages of materials or labor; uncommon inclement weather of an extreme or exceptional nature, unavoidable casualty; or court order; or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform.

b. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within twenty (20) Business Days of knowledge of the commencement of the cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a

Force Majeure Delay unless and until the Party claiming such delay and interference delivers to the other Party written notice describing the following: the event; its cause; when and how such Party obtained knowledge; the date the event commenced; a reasonable causal connection between the event and the need to extend the time of such Party's performance; and the estimated delay resulting from the event. Any Party claiming a Force Majeure Delay shall deliver such written notice within twenty (20) Business Days after it obtains actual knowledge of the event. Times of performance under this Agreement may also be extended in writing by the City and Developer.

11.4 Conflict of Interest.

a. No member, official, or employee of the City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested.

b. Developer warrants that it has not paid or given, and shall not pay or give, any third person any money or other consideration for obtaining this Agreement.

11.5 Non-liability of City Officials and Employees.

No member, official, agent, legal counsel or employee of the City shall be personally liable to Developer, or any successor in interest in the event of any default or breach by the City or for any amount which may become due to Developer or successor or on any obligation under the terms of this Agreement.

11.6 Inspection of Books and Records.

a. Prior to Completion, the City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the development of the Site as pertinent to the purposes of this Agreement. Developer shall also have the right at all reasonable times to inspect the books and records of HCID pertaining to the Site as pertinent to the purposes of this Agreement.

b. In addition, at all times prior to the expiration of the Regulatory Agreement, and/or repayment in full of the City Rent and debts to the City, whichever occurs later, the City shall have the right at all times to inspect the books and records of Developer pertaining to the operation of the Site.

11.7 Approvals.

a. Except as otherwise expressly provided in this Agreement, approvals required of the City or Developer in this Agreement, including the attachments hereto,

shall not be unreasonably withheld, delayed or conditioned. All approvals shall be in writing. Failure by either Party to approve or disapprove a matter within the time provided for approval or disapproval of the matter shall not be deemed either approval or disapproval of the matter unless this Agreement specifically provides otherwise. Notwithstanding the foregoing, nothing contained in this Agreement shall restrict or limit the exercise of discretion by the Mayor, City Council or any member of the City Council in approving or disapproving this Agreement or any proposed material revisions or amendments to this Agreement, which approval may be granted or denied in the sole and absolute discretion of the City.

b. Whenever this Agreement calls for City approval, consent, or waiver, the written approval, consent, or waiver of, the HCID General Manager shall constitute the approval, consent, or waiver of the City, without further authorization required from the City Council and Mayor. The City hereby authorizes the HCID's General Manager to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the City. However, subject to Section 9.7 of this Agreement, any material modification and any amendment to this Agreement shall require approval by the City Council and Mayor.

11.8 Real Estate Commissions.

Neither Developer nor the City shall be liable for any real estate commissions or brokerage fees which may arise from this Agreement. Developer and the City each represents that it has engaged no broker, agent or finder in connection with this Agreement.

11.9 Construction and Interpretation of Agreement.

a. The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any Party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each Party has been given the opportunity to independently review this Agreement with legal counsel, and that each Party has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the Party preparing it, and instead other rules of interpretation and construction shall be utilized.

b. If any term or provision of this Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any Party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each other term and

provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Agreement an enforceable clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible.

c. Any titles of the articles, sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision.

d. References in this instrument to this "Agreement" mean, refer to and include this instrument as well as any riders, exhibits, addenda and attachments hereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in this instrument. Any references to any covenant, condition, obligation, and/or undertaking "herein," "hereunder," or "pursuant hereto" (or language of like import) shall mean, refer to, and include the covenants, obligations, and undertakings existing pursuant to this instrument and any riders, exhibits, addenda, and attachments or other documents affixed to or expressly incorporated by reference in this instrument.

e. As used in this Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and vice versa.

11.10 Time of Essence.

Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Agreement.

11.11 Relationship of the Parties.

Nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, or any other similar relationship between the parties hereto or cause the City to be responsible in any way for the debts or obligations of Developer or any other Person.

11.12 Compliance with Law.

Developer agrees to comply with all the requirements now in force, or which may hereafter be in force, of all municipal, county, state and federal authorities, pertaining to the development and use of the Site and the Improvements, as well as operations conducted thereon. The judgment of any court of competent jurisdiction, or the admission of Developer or any lessee or permittee in any action or proceeding against them, or any of them, whether the City be a party thereto or not, that Developer, lessee or permittee has violated any such ordinance or statute in the development and use of the Site shall

be conclusive of that fact as between the City and Developer and shall therefore allow the City to exercise any and all remedies set forth in the City's Contractor/Developer Responsibility Policy.

11.13 Binding Effect.

This Agreement, and the terms, provisions, promises, covenants and conditions hereof, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

11.14 Rights of Third Parties.

a. Except as otherwise expressly provided in this Agreement and the Regulatory Agreement, this Agreement shall not be deemed to confer any rights upon, nor obligate either of the Parties to this Agreement to any person or entity not a Party to this Agreement, and the Parties explicitly disclaim any intent to create a third party beneficiary relationship with any person or entity as a result of this Agreement.

b. The City shall be a third-party beneficiary retaining enforcement rights with respect to this Agreement.

c. The covenants and restrictions relating to the Affordable Housing Units set forth in Article 7 of this Agreement and in the Regulatory Agreement shall run with the land and shall be enforceable against any owner of the Site who violates a covenant or restriction and each successor in interest who continues the violation by any of the following:

1. The City;
2. A resident of any of the Affordable Units;
3. A residents' association with members who reside in the Affordable Units;
4. A former resident of an Affordable Unit;
5. An applicant seeking to enforce the covenants or restrictions for a particular Affordable Unit, if the applicant conforms to all of the following:
 - (A) Is of Low or Moderate Income;
 - (B) Is able and willing to occupy that particular Affordable Unit; and

(C) Was denied occupancy of that particular Affordable Unit due to an alleged breach of a covenant or restriction set forth in the Regulatory Agreement; and

6. A person on an affordable housing waiting list who is of Low or Moderate Income and who is able and willing to occupy an Affordable Unit.

11.15 Authority to Sign.

Developer hereby represents that the persons executing this Agreement on behalf of Developer have full authority to do so and to bind Developer to perform pursuant to the terms and conditions of this Agreement.

11.16 Use of Project Images.

a. Developer hereby consents to and approves the use by the City of images of the Project, its models, plans and other graphical representations of the Project and its various elements ("Project Images") in connection with marketing, public relations, and special events, websites, presentations, and other uses required by the City in connection with the Project. Such right to use the Project Images shall not be assignable by the City to any other party (including, without limitation, any private party) without the prior written consent of Developer. Developer shall obtain any rights and/or consents from any third parties necessary to provide these Project Image use rights to the City.

b. Any publicity generated by Developer for the Project during the term of the Ground Lease shall make reference to the contribution of the City of Los Angeles in making the Project possible. The words "City of Los Angeles" shall be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews and newspaper articles. Developer further agrees to cooperate with authorized staff and officials of the City in any City-generated publicity or promotional activities undertaken with respect to the Project.

11.17 Plans and Data.

If Developer does not proceed with the lease or development of the Site, or if this Agreement is terminated for any reason, other than the breach of this Agreement by the City, Developer shall deliver to the City, without cost or expense to the City, any and all plans, drawings, studies, designs, reports, surveys, and data pertaining to the site and its development (collectively, "Site Designs") which are in the possession of Developer, together with a Bill of Sale therefor, which Site Designs shall thereupon be the

sole property of the City, free of all claims or interests of Developer or any other person; and which the City may use, grant, license or otherwise dispose of to any person for development of the Site or any other purpose. To secure the obligations set forth in this Section and as a condition precedent to the execution of the Ground Lease, Developer shall execute and cause its architect and contractor, as the case may be, and shall deliver to the City an Assignment of Agreements, Plans, Specifications and Entitlements substantially in the form of the instrument attached to this Agreement as **Exhibit G** to Part I of Exhibits.

11.18 Applicable Law.

- A. This Agreement shall be interpreted under and pursuant to the laws of the State of California. The Developer shall carry out the administration of this Agreement and the construction and operation of the Project, in conformity with all applicable laws, to the extent they may apply, including, but not limited to the following applicable federal and state laws, as may be amended from time to time:
1. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, 42 U.S.C. §3601, *et seq* and implementing regulations at 24 C.F.R. Part 100, *et seq*, including, without limit, the design and construction requirements set forth in 42 U.S.C. §3604(f)(3) and the corresponding rules of HUD.
 2. Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 C.F.R. Part 107.
 3. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4)(Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 C.F.R. Part 1; and its implementing regulations and as applied through Executive Order No. 13166, entitled "Improving Access to Services for Persons with Limited English Proficiency" ("LEP"), which requires recipients of federal funds, including Developer, to take reasonable steps to insure meaningful access to its programs and activities by persons with LEP as more fully described in HUD's final guidance contained in Federal Register, Volume 72, No. 13.
 4. Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, 42 U.S.C. 2000e.
 5. Title IX of the Education Amendments of 1972, as amended (20 USC

§1681-§1683, and §1685-§1686).

6. Drug Abuse Office and Treatment Act of 1972, P.L. 92-255, as amended, relating to nondiscrimination on the basis of drug abuse.
7. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970, P.L. 91-616 as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism.
8. Public Health Service Act of 1912, 42 USC 290 dd-3 and 290 ee-3, as amended, relating to confidentiality of alcohol and drug abuse patient records.
9. Genetic Information Nondiscrimination Act of 2008 (GiNA) P.L. 110-233
10. The Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and implementing regulations at 24 CFR Part 146.
11. Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794 and implementing regulations at 24 C.F.R. Part 8, including the design and construction requirements of the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40 or any other applicable or successor design and construction requirements.
12. Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157.
13. Americans With Disabilities Act 42, U.S.C. 12101 *et seq.*, its implementing regulations at 28 CFR Part 35, and the Americans with Disabilities Amendments (ADAAA) Pub. L. 110-325 and all subsequent amendments, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions).
14. Alternative Accessibility Standard for new construction per HUD's Notice at 79 Fed. Reg. 29,671 (May 23, 2014).
15. Lead-Based Paint Poisoning Prevention Act, 42 U.S.C. 4821-4826 and implementing regulations at 24 CFR Part 35.
16. Executive Order 12372 and implementing regulations at 24 CFR Part

- 52.
17. Flood Disaster Act of 1973, 42 U.S.C. 4001, *et seq.*
 18. Wild and Scenic Rivers Act of 1968, 16 U.S.C. 1271, *et seq.*
 19. Federal Water Pollution Control Act, 33 U.S.C. 1251 *et seq.*
 20. Drug Free Workplace Act of 1988, 41 U.S.C. 701 *et seq.* and HUD's implementing regulations at 2 C.F.R. part 2429; 28 C.F.R. Part 83; California Drug-Free Workplace Act of 1990, California Government Code Section 8350-8357.
 21. Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, 42 U.S.C. 4601, *et seq.* and 24 CFR Part 42.
 22. Office of Management and Budget ("OMB") Circulars: OMB Circular A-21 (Cost Principles for Educational Institutions); OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments); OMB Circular A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations); OMB Circular A-122 (Cost Principles for Non-Profit Organizations); OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), and as codified in 2 CFR part 200 and 2 CFR part 2400.
 23. Hatch Act, 5 U.S.C. 1501-1508 and 7324-7328
 24. Copeland Act, 40 U.S.C. 276c and 18 U.S.C. 874
 25. Contract Work Hours and Safety Standards Act, 40 U.S.C. 327-333.
 26. Federal Fair Labor Standards Act, 29 U.S.C. 201
 27. Pursuant to California Government Code Section 16645, *et seq.*, none of the funds shall be used to promote or deter Union/Labor organizing activities.
 28. California Child Abuse and Neglect Reporting Act, California Penal Code Section 11164 *et seq.* and specifically Sections 11165.7, 11165.9, and 11166.
 29. Section 106 of the National Historic Preservation Act of 1966, as amended, 16 U.S.C. 470, EO 11593, and the Archaeological and

Historic Preservation Act of 1974, 16 U.S.C. 469A-1 *et seq.*

30. Project requirements in 92 C.F.R. Part 92, Subpart F, as applicable in accordance with the type of project assisted under HOME Funds.
 31. The Housing and Community Development Act of 1974, 42 U.S.C. 5301, *et seq.*
 32. Uniform Administrative requirements in 24 C.F.R. Part 84 and as described in OMB Circular A-122.
 33. Community Housing Development Organization requirements in 24 C.F.R. Sections 92.300, 92.301 and 92.303.
 34. Eligible Community Development Block Grant Program activities under 24 C.F.R. Sections 570.200-570.207.
 35. Measure JJJ of the November 8, 2016 Los Angeles City Special Municipal Election, Section 5 Affordable Housing and Good Jobs (to be codified in Sections 11.5.11 of the Los Angeles Municipal Code and Section 5.522 of the Los Angeles Administrative Code).
- B. Developer must comply with Public Law 103-227, Part C—Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), if applicable. This Act requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted by an entity and used routinely or regularly for the provision of health, day care, education or library services to children under the age of 18, if the services are funded by Federal programs either directly or indirectly or through State and local governments. Federal programs include grants, cooperative agreements, loans or loan guarantees and contracts. The law does not apply to children’s services provided in private residences, facilities funded solely by Medicare or Medicaid funds and portions of facilities used for inpatient drug and alcohol treatment. Developer further agrees that the above language will be included in any subcontracts that contain provisions for children’s services and that all subcontractors shall certify compliance accordingly.
- C. Developer acknowledges that it is aware of liabilities resulting from submitting a false claim for payment by the City under the False Claims Act (Cal. Gov. Code §§12650 *et seq.*), including treble damages, costs of legal actions to recover payments, and civil penalties of up to \$10,000 per false claims.

- D. The Developer shall carry out the construction and operation of the Project in conformity with all applicable laws and the requirements of the City, including all applicable federal, state and local labor standards. The Developer shall be responsible for complying with all applicable City, County and State building codes, and planning and zoning requirements, and shall take all necessary steps so that the development of the Property and the construction, use, operation, and maintenance of the Project thereon in accordance with the provisions of this Loan Agreement shall be in conformity with applicable zoning and General Plan requirements, and that all applicable environmental mitigation measures and other requirements shall have been complied with.

11.19 Severability.

If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

11.20 Binding Upon Successors; Covenants to Run With Land.

a. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties; provided, however, that there shall be no Transfer except as permitted in Article 8. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

b. The terms of this Agreement shall run with the land, and shall bind all successors in title to the Site until the termination of this Agreement, except that the provisions of this Agreement that are specified to survive termination of this Agreement shall run with the land in perpetuity and remain in full force and effect following such termination. Every contract, deed, or other instrument hereafter executed covering or conveying the Site or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases the Site or the applicable portion of the Site from the requirements of this Agreement.

11.21 Effectiveness of Agreement.

This Agreement is dated for convenience only and shall only become effective on the Effective Date.

11.22 Amendments.

This Agreement may be amended only by means of a writing signed by all Parties.

11.23 Police Power.

Nothing contained herein shall be deemed to limit, restrict, amend or modify, nor to constitute a waiver or release of, any ordinances, notices, orders, rules, regulations or requirements (now or hereafter enacted or adopted and/or as amended from time to time) of the City, its departments, commissions, agencies and boards and the officers thereof, including, without limitation, any redevelopment plan or general plan or any zoning ordinances, or any of City's duties, obligations, rights or remedies thereunder or pursuant thereto or the general police powers, rights, privileges and discretion of City in the furtherance of the public health, welfare and safety of the inhabitants thereof, including, without limitation, the right under law to make and implement independent judgments, decisions and/or acts with respect to planning, development and/or redevelopment matters (including, without limitation, approval or disapproval of plans and/or issuance or withholding of building permits) whether or not consistent with the provisions of this Agreement, any Exhibits attached hereto or any other documents contemplated hereby ("City Rules and Powers"). In the event of any conflict, inconsistency or contradiction between any terms, conditions or provisions of this Agreement, Exhibits or such other documents, on the one hand, and any such City Rules and Powers, on the other hand, the latter shall prevail and govern in each case. This Section shall be interpreted for the benefit of City.

11.24 Brokers.

The City and Developer each represents that it has not engaged any broker, agent or finder in connection with this transaction. Developer agrees to defend, indemnify and hold the City and all of the City's Representatives harmless from and against any Losses and Liabilities with respect to such commissions based upon the alleged acts of Developer. The City agree to defend, indemnify and hold Developer harmless from and against Losses and Liabilities with respect to such commissions based upon the alleged acts of the City. The indemnity obligations set forth in this Section shall survive the issuance of a Certificate of Completion by the City, repayment of the City Rent, termination of the Regulatory Agreement, withdrawal of the Notice of Affordability Restrictions and the termination of this Agreement.

11.25 Submittals and Approvals.

Various submittals are required by the Developer pursuant to this Agreement. To the extent expressly provided by this Agreement, the City shall approve or disapprove certain submittals from Developer within specified timeframes.

11.26 Incorporation by Reference.

Each of the attachments and exhibits attached hereto as part of Part I of Exhibits, and/or delivered to Developer as part of Part II of Exhibits is incorporated herein by this reference as though fully set forth herein.

11.27 Counterparts.

This Agreement may be executed by each Party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument.

11.28 Entire Understanding of the Parties.

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the matters contained herein and supersedes any prior memoranda of understanding, negotiation agreement or commitment letter.

11.29 Approval Procedure.

Execution and delivery of this Agreement by Developer shall constitute Developer's offer to enter into this Agreement with the City. Following receipt of the executed Agreement, this Agreement shall not be effective unless approved by the City Council and Mayor, and executed by the HCID General Manager or designee. This Agreement must be authorized, executed and delivered by HCID within seventy-five (75) calendar days after date of signature by Developer or Developer may withdraw its offer to enter into the Agreement upon written notice to the City. The effective date of this Agreement shall be the date when this Agreement has been executed by the City.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the Parties have executed this DDA Agreement as of the date first above written.

“HCID”

LOS ANGELES HOUSING AND COMMUNITY
INVESTMENT DEPARTMENT

By: _____
SEAN L. SPEAR
Assistant General Manager

Dated: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER,
CITY ATTORNEY

By: _____
Deputy City Attorney

Dated: _____

“DEVELOPER”

a California

By: _____

Its: _____

Dated: _____

By: _____

Its: _____

Dated: _____

DRAFT

**ACKNOWLEDGEMENT OF RECEIPT OF
PART II OF EXHIBITS**

The exhibits constituting Part II are Standard City Requirements which are set forth in a separate document, the receipt of which is hereby acknowledged by Developer.

Part II of Exhibits (Standard City Requirements):

1. City of Los Angeles Requirements and Checklist, with Attachments.
2. ADA Covenants.

By: _____

Its: _____

Date: _____

DRAFT

DISPOSITION AND DEVELOPMENT AGREEMENT

PART I OF EXHIBITS

[BEHIND THIS PAGE]

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EXHIBIT A
SITE MAP
[BEHIND THIS PAGE]

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EXHIBIT B
LEGAL DESCRIPTION
[BEHIND THIS PAGE]

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EXHIBIT C
SCHEDULE OF PERFORMANCE
[BEHIND THIS PAGE]

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EXHIBIT D
SCOPE OF DEVELOPMENT
[BEHIND THIS PAGE]

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EXHIBIT E
PROJECT BUDGET
[BEHIND THIS PAGE]

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EXHIBIT F

[intentionally omitted]

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EXHIBIT G

**FORM OF ASSIGNMENT OF AGREEMENTS, PLANS, SPECIFICATIONS AND
ENTITLEMENTS**

[BEHIND THIS PAGE]

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EXHIBIT H
FORM OF STATUTORY REQUEST FOR NOTICE
[BEHIND THIS PAGE]

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EXHIBIT I
FORM OF REGULATORY AGREEMENT
[BEHIND THIS PAGE]

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EXHIBIT J
FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS
[BEHIND THIS PAGE]

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EXHIBIT K

HUD REQUIREMENTS

**(TO BE ATTACHED ONLY IF CITY ASSISTANCE DERIVES FROM A PROGRAM OF
THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)**

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PART II OF EXHIBITS – CITY CONTRACTING REQUIREMENTS

1. CITY CONSTRUCTION LOCAL HIRE PROGRAM

(TO BE ATTACHED ONLY IF A CONSTRUCTION LOCAL HIRE PROGRAM APPLIES. LOCAL HIRE PROGRAM APPLIES ONLY IF (A) CITY ASSISTANCE IS BETWEEN \$500,000 AND \$1,000,000; OR (B) CITY ASSISTANCE IS \$1,000,000 OR MORE AND CONSTRUCTION CAREERS AND PROJECT STABILIZATION POLICY DOES NOT APPLY)

2. CITY IN-PLACE REHABILITATION PROCEDURES

(TO BE ATTACHED ONLY IF AGREEMENT INVOLVES REHABILITATION OF EXISTING HOUSING WITH DEVELOPERS IN PLACE)

3. CITY HEALTHY NEIGHBORHOODS POLICY

(TO BE ATTACHED ONLY IF CITY COUNCIL APPROVES AMENDED HEALTHY NEIGHBORHOODS POLICY AND THEN ONLY IF CITY ASSISTANCE EXCEEDS \$1 MILLION AND THE PROJECT CONTAINS 50 OR MORE RESIDENTIAL UNITS OR 50,000 SQUARE FEET OF NON-RESIDENTIAL FLOOR AREA, OR IF THE PARTIES OTHERWISE AGREE TO LEED CERTIFICATION)

[BEHIND THIS PAGE]

PART II OF EXHIBITS

EXHIBIT 2

ADA COVENANTS

[BEHIND THIS PAGE]

DRAFT

ADA COVENANTS

I. The following terms shall have the following definition:

“Accessibility Requirements” refers to the accessibility requirements that must be followed in the design, construction or alteration of the Project or an individual housing unit of the Project (including common use elements), based on all the applicable laws and regulations, including: (1) Title II of the Americans with Disabilities Act (“ADA”), 42 U.S.C. §12101, et seq. and the implementing standards (“2010 ADA Standards”) at 28 C.F.R. pt. 35 and the 2004 ADA Accessibility Guidelines (“ADAAG”), (2) Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of UFAS, (3) the Fair Housing Act (“FHA”), 42 U.S.C. §§3601-3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations, and the California Building Codes.

“Accessible” means when used with respect to a Housing Unit or a Housing Development, full compliance with the Accessibility Requirements.

“Accessible Housing Development” means a Housing Development that is Accessible, including Accessible public and common use areas.

“Accessible Housing Units” means collectively Housing Units that are on an Accessible Route, are Accessible, and are located in an Accessible Housing Development. The term Accessible Units refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features.

“Housing Development” means the whole of one or more residential structures in the Project, including common walkways and parking lots that were or are designed, constructed, altered, rehabilitated, operated, administered or financed in whole or in part by the City.

“Housing Unit” means a single unit of residence in the Housing Development that provides spaces for living, bathing, and sleeping.

“Housing Unit with Hearing/Vision Features” means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

“Housing Unit with Mobility Features” means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

“UFAS” means the Uniform Federal Accessibility Standards for the design, construction or alteration of buildings and facilities to ensure that they are readily accessible to and usable by individuals with disabilities, 24 C.F.R §40, Appendix A.

[Continued on the next page]

II. Additional ADA requirements of the Issuer:

A. Accessible Housing Units. The Housing Development shall be constructed in accordance with [HUD's Alternative Accessibility Standard set forth in HUD's notice at 79 Fed. Reg. 29,671 \(May 23, 2014\)](#) to ensure accessibility for persons with disabilities. The following types of Accessible Housing Units shall be prioritized for persons with disabilities who have a disability-related need for the accessibility features of the unit.

(a) At least ten percent (10%) of the total Housing Units in each Housing Development shall be constructed or rehabilitated and maintained by the Owner as Housing Units with Mobility Features.

(b) At least [an additional four](#) percent (4%) of the total Housing Units in each Housing Development shall be constructed or rehabilitated and maintained by the Owner as Housing Units with Hearing/Vision Features.

(c) In determining the number of units any fractions of units shall be rounded up to the next whole number.

(d) The Accessible Housing Units shall, to the maximum extent feasible, be geographically distributed and dispersed in terms of location within the Housing Development, and shall be provided in a range of unit sizes and types.

(e) Within fifteen (15) working days of the temporary Certificate of Occupancy being issued, Owner shall provide the City with a list of all Accessible Housing Units, specifying the unit number, bedroom size and type of impairment, i.e. mobility or hearing/vision.

(f) Following reasonable notice to Owner, Owner shall allow the City to conduct periodic onsite inspections of the Housing Developments in order to verify compliance with the Accessibility Standards.

(g) The City and/or its agents will monitor the Developer's compliance with this Agreement and the requirements of the source of funds utilized to finance the Project. Violations of this Agreement and/or funding requirements may result in penalties, fees and expenses being levied against the City. The Owner will be responsible for any costs, penalties, fees and expenses levied against the City and will be responsible to pay any expenses incurred by the City to enforce this Agreement.

HCIDLA will monitor the initial production and ongoing occupancy of the Accessible Housing Units and the Accessible Housing Development by applying the updated ADAAG to ensure full compliance with the Accessibility Requirements. In order to determine compliance with the Accessibility Requirements, Developer shall submit the

name and HCIDLA shall review and approve a Certified Access Specialist (“CASp”) for the Project. The CASp will:

1. Review building plans and specifications for compliance with Accessibility Requirements and issue a Building Plans Compliance Report;
2. Conduct progress/rough inspections and issue a Progress Inspection Report of the housing development that identifies any compliance issues; and
3. Conduct final inspection(s) to ensure that all compliance issues have been resolved. CASp will issue a set of findings that identify all compliance issues and a final Accessibility Report when the Project is in compliance.

HCIDLA shall inspect the construction/rehabilitation to verify that the correct number of Accessible Housing Units have been produced and that the necessary and required design elements have been constructed to make the units and site accessible for individuals with disabilities, in compliance with Section 2 and supported by an independent CASp consultant’s report.

During the term of this Agreement, HCIDLA will utilize the Housing Development’s City approved Property Management Plan and Fair Housing Policy in Regard to Disability, to monitor ongoing occupancy compliance of the Accessible Housing Units and nondiscrimination in regards to individuals with disabilities. Compliance with the Accessibility Requirements shall include, but not be limited to, target marketing, establishing and monitoring Transfer and Waiting Lists for the Accessible Housing Units, reasonable accommodations and modifications requests, implementation of the service animal policy and policy for re-leasing empty Accessible Housing Units and all elements contained in the Fair Housing Policy in Regard to Disability dated July 28, 2014, as amended over time.

[End of Exhibit 2]

PART II OF EXHIBITS

EXHIBIT 3

MAYOR'S EXECUTIVE DIRECTIVE No. 26

Issue Date: December 21, 2012

City-wide Compliance with Federal and State Disability Laws

[Behind This Page]

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PART II OF EXHIBITS – EXHIBIT 4

EXHIBIT 4

The Instructions and Information on Complying with City Insurance Requirements (Form General 133) and the Required Insurance and Minimum Limits Sheet (Form General 146) are attached hereto to this Exhibit 4.

EXHIBIT 4

INSURANCE CONTRACTUAL REQUIREMENTS

CONTACT For additional information about compliance with City Insurance and Bond requirements, contact the Office of the City Administrative Officer, Risk Management at (213) 978-RISK (7475) or go online at www.lacity.org/cao/risk. The City approved Bond Assistance Program is available for those contractors who are unable to obtain the City-required performance bonds. A City approved insurance program may be available as a low cost alternative for contractors who are unable to obtain City-required insurance.

CONTRACTUAL REQUIREMENTS

DEVELOPER AGREES THAT:

1. Additional Insured/Loss Payee. The CITY must be included as an Additional Insured in applicable liability policies to cover the CITY'S liability arising out of the acts or omissions of the named insured. The CITY is to be named as an Additional Named Insured and a Loss Payee As Its Interests May Appear in property insurance in which the CITY has an interest, e.g., as a lien holder.

2. Notice of Cancellation. All required insurance will be maintained in full force for the duration of its business with the CITY. By ordinance, all required insurance must provide at least thirty (30) days' prior written notice (ten (10) days for non-payment of premium) directly to the CITY if your insurance company elects to cancel or materially reduce coverage or limits prior to the policy expiration date, for any reason except impairment of an aggregate limit due to prior claims.

3. Primary Coverage. DEVELOPER will provide coverage that is primary with respect to any insurance or self-insurance of the CITY. The CITY'S program shall be excess of this insurance and non-contributing.

4. Modification of Coverage. The CITY reserves the right at any time during the term of this Contract to change the amounts and types of insurance required hereunder by giving DEVELOPER ninety (90) days' advance written notice of such change. If such change should result in substantial additional cost to DEVELOPER, the CITY agrees to negotiate additional compensation proportional to the increased benefit to the CITY.

5. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the inception of any operations by DEVELOPER.

DEVELOPER'S failure to procure or maintain required insurance or a self-insurance program during the entire term of this Contract shall constitute a material breach of this Contract under which the CITY may immediately suspend or terminate this Contract or, at its discretion, procure or renew such insurance to protect the CITY'S interests and pay any and all premiums in connection therewith and recover all monies so paid from DEVELOPER.

6. Workers' Compensation. By signing this Contract, DEVELOPER hereby certifies that it is aware of the provisions of Section 3700 *et seq.*, of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake

self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all time during the performance of the work pursuant to this Contract.

7. California Licensee. All insurance must be provided by an insurer admitted to do business in California or written through a California-licensed surplus lines broker or through an insurer otherwise acceptable to the CITY. Non-admitted coverage must contain a **Service of Suit** clause in which the underwriters agree to submit as necessary to the jurisdiction of a California court in the event of a coverage dispute. Service of process for this purpose must be allowed upon an agent in California designated by the insurer or upon the California Insurance Commissioner.

8. Aggregate Limits/Impairment. If any of the required insurance coverages contain annual aggregate limits, DEVELOPER must give the CITY written notice of any pending claim or lawsuit which will materially diminish the aggregate within thirty (30) days of knowledge of same. You must take appropriate steps to restore the impaired aggregates or provide replacement insurance protection within thirty (30) days of knowledge of same. The CITY has the option to specify the minimum acceptable aggregate limit for each line of coverage required. No substantial reductions in scope of coverage which may affect the CITY'S protection are allowed without the CITY'S prior written consent.

9. Commencement of Work. For purposes of insurance coverage only, this Contract will be deemed to have been executed immediately upon any party hereto taking any steps that can be considered to be in furtherance of or towards performance of this Contract. The requirements in this Section supersede all other sections and provisions of this Contract, including, but not limited to, PSC-4, to the extent that any other section or provision conflicts with or impairs the provisions of this Section.

Exhibit 4 (Continued) Required Insurance and Minimum Limits

Name: _____ Date: _____

Agreement/Reference: _____

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

		Limits
<hr/>		
<p><input type="checkbox"/> Workers' Compensation – Workers' Compensation (WC) and Employer's Liability (EL)</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Waiver of Subrogation in favor of City <input type="checkbox"/> Longshore & Harbor Workers <input type="checkbox"/> Jones Act </p>	<p>WC</p> <p>EL</p>	<p><u>Statutory</u></p> <p>_____</p>
<hr/>		
<p><input type="checkbox"/> General Liability</p> <p style="margin-left: 40px;"> <input type="checkbox"/> Products/Completed Operations <input type="checkbox"/> Sexual Misconduct _____ <input type="checkbox"/> Fire Legal Liability _____ <input type="checkbox"/> _____ </p>		
<hr/>		
<p><input type="checkbox"/> Automobile Liability (for any and all vehicles used for this Contract, other than commuting to/from work)</p>		
<hr/>		
<p><input type="checkbox"/> Professional Liability (Errors and Omissions)</p>		
<hr/>		
<p><input type="checkbox"/> Property Insurance (to cover replacement cost of building – as determined by insurance company)</p> <p style="margin-left: 40px;"> <input type="checkbox"/> All Risk Coverage <input type="checkbox"/> Boiler and Machinery <input type="checkbox"/> Flood _____ <input type="checkbox"/> Builder's Risk <input type="checkbox"/> Earthquake _____ <input type="checkbox"/> _____ </p>		
<hr/>		
<p><input type="checkbox"/> Pollution Liability</p> <p style="margin-left: 40px;"><input type="checkbox"/> _____</p>		
<hr/>		
<p><input type="checkbox"/> Surety Bonds – Performance and Payment (Labor and Materials) Bonds</p> <p><input type="checkbox"/> Crime Insurance</p>		<p>100 % of Contract Price</p> <p>_____</p>
<hr/>		
<p>Other: _____</p> <p>_____</p> <p>_____</p> <p>_____</p>		

Attachment

D

(Staff Reports: Projects Not Recommended)

STAFF REPORT
January 29, 2018

Figueroa Apartments
12602 S Figueroa St 90061
Los Angeles, CA 90043

New Construction
Council District No: 15

PROJECT DESCRIPTION

This project consists of 5 new construction. These units will be built on a lot that has an existing 4-unit building (which will not be demolished). The two structures on the lot will be separate. Total square footage of the new construction is 7300 sq ft. The style will consist of a flat roof, exterior stucco, dual pane windows, ground level parking, and exterior landscaping.

The 5 new construction units will consist of 3 levels - The ground level will be parking (12 carports & 7 bike stalls) and a handicapped-accessible unit (single) which is 430 sq ft. Second floor will consist of one 3-bedroom 2 bathroom unit (1,020 sq ft) and one 4-bedroom 2 bathroom unit(1,400 sq ft). Third floor is the exact same layout as the second floor. All units on the second and third floors will have washer and dryer hookups. Each unit will include a refrigerator, stove, and microwave.

This new construction development will be developed on a corner lot that has an existing 4-plex building which is fully occupied and will not be demolished or affected by the new construction. The existing 4-plex is located adjacent to a huge lot which will be where the new 5-unit structure will be built. This land is empty and not being used for anything except 4 parking spaces and a large extension to the existing tenants' backyard.

100% of the units in this project will benefit the low income and homeless populations in Los Angeles. It will provide superior living conditions, very close to the hubs of transportation including Harbor freeway green line train station and bus station. The apartments are less than a block from Athens Park. They have previously worked with Section 8 and various non-profit service providers (PATH, Saint Joseph's Center). The majority (88%) of the tenants managed at the rental properties are recipients of Section 8 and homeless provider agencies.

PROJECT FINANCE SUMMARY

The current plan for financing the construction will involve a construction loan which will include the costs of construction and permits. They have a tentative commitment for construction loan funds depending on the final plans from HG Lending. They plan to refinance the project, once complete, into a Conventional loan (65% LTV) - current and projected revenues (rent payments) will cover the cost of repayment. They currently have approximately \$400,000 in equity from existing buildings and anticipate to have approximately \$800,000 in equity with the completion of this project.

Applicants have paid for the architectural, structural, and mechanical plans, as well as survey and soils report with personal funds.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

100% of the project will be owned and operated by M&L Properties LLC. This company is equally owned by applicants Manuel Oquendo and Lauren Alpert.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$ 900,000
4% TCAC Equity	
HACOLA-COI	
Conventional/Bank Financing	900,000
GP Equity	
HCID Seller Note	
HCD AHSC	
HCD IIG	
Deferred Dev Fee	
Total	\$ <u>1,800,000</u>

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	Not specified	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	1	0	0	0	0	1
3 Bedroom	0	2	0	0	0	0	2
4 Bedroom	0	2	0	0	0	0	2
Total	0	5	0	0	0	0	5

FUNDING RECOMMENDATION

The applicant did not specify the rent cap for the units, as shown in the above chart. An HCIDLA funding commitment of \$900,000 is not recommended at this time. There are numerous omissions in the submitted application that need to be addressed by the Applicant in order for the application to be in a closer position to passing the threshold review. HCID has reached out to the Applicant to provide assistance and guidance in February 2018 in the application process and to further understand the project itself. This project is now projected to be a prospective candidate for the 2017-2018 Proposition HHH Call for Projects Round 2.

STAFF REPORT
January 9, 2018

400 E. Florence Avenue Apartments
410 E. Florence Av.
Los Angeles, CA 90003

New Construction
Council District No: 9

PROJECT DESCRIPTION

The 400 E. Florence Avenue Apartments project is a 51-unit development consisting of 50 studios of permanent supportive housing and one two-bedroom manager's unit. All 50 studio units will be reserved for homeless individuals, including 25 units for the chronically homeless.

The five-story structure will be constructed on an underdeveloped lot that was the former site of an automotive repair service, with on-grade parking and four stories of residential units. Each of the 51 units will include a full kitchen and bathroom, many with views overlooking the courtyard or Florence Avenue, and each resident will be assigned a dedicated bicycle parking space.

The building's common areas include shared laundry facilities, and a 2,569 square foot landscaped rooftop courtyard deck featuring a seating patio, vegetable garden, and a barbeque. In addition, a 2,838 square feet community room will be furnished to accommodate an array of programs, and will include a computer lab and community kitchen, office spaces to provide social services, and a space for resident education programs and activities.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a loan from the Community Development Commission of the County of Los Angeles (LACDC), a conventional loan, equity from the sale of 4% Low Income Housing Tax Credits (LIHTC), and General Partner equity.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a Limited Partnership with LINC Housing Corporation as the Managing General Partner and a to-be-determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH-Housing	\$11,000,000
LACDC	3,000,000
Permanent Loan	1,334,874
Tax Credit Equity	7,033,502
General Partner Equity	100
Total	\$22,368,476

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom		50	0	0	0	0	50
1 Bedroom		0	0	0	0	0	0
2 Bedroom	1	0	0	0	0	0	1
Total	1	50	0	0	0	0	51

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment is not recommended for the 400 E. Florence Avenue Apartments project. The application for this project, at this time, has been determined to be deficient as presented. A main deficiency is the lack of Council Office Letter of Acknowledgement, as required by the Regulations, Policies, and Procedures.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 23, 2018

West Third Apartments Preservation, L.P.
1900 W Third St
Los Angeles, CA 90057

Rehabilitation
Council District No: 1

PROJECT DESCRIPTION

The proposed 137-unit project is the transformation of a motel in the Westlake area of Los Angeles to a renovated modern apartment complex for homeless or chronically homeless veterans. Providing only studio units, the two story project will also have a single manager's unit, community/service rooms, a communal kitchen, a laundry room, and counseling offices. The design of the building will be renovated and modernized, while all the mechanical, engineering, and plumbing in each unit will be new. The surrounding landscaping and parking will be improved as well. Since the current motel is underutilized and there is a substantial number of homeless veterans in the Westlake area of Los Angeles, this investment will both support an important subpopulation within the city and reduce the blight in the surrounding community.

In addition to new kitchen appliances, fully furnished bedrooms with new furniture, and televisions, the property will include counseling office to accommodate a counselor for every 16 residents and a community room.

The population served will be homeless and chronically homeless veterans. This property will be supported by project-based VASH vouchers, meaning residents pay only 30% of their income on rent and are provided with additional social service and counseling support. Step Up On Second will be providing the social services and serve as the property manager.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of conventional financing, 4% bond equity, and a seller's note.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Western Apartments will be owned by Figueroa Economical Housing Development Corp as the Managing General Partner, VHP as the Co-General Partner, Step Up on Second Street as the Administrative General Partner, as well as a to be determined limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$ 12,000,000
4% TCAC Equity	11,713,853
Conventional/Bank Financing	13,870,562
Seller Note	5,187,610
 Total	 <u>\$ 42,772,025</u>

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	0	0	0	0	136	136
1 Bedroom	1	0	0	0	0	0	1
2 Bedroom	0	0	0	0	0	0	0
3 Bedroom	0	0	0	0	0	0	0
 Total	 1	 0	 0	 0	 0	 136	 137

FUNDING RECOMMENDATION

A HCIDLA funding commitment of up to \$12,000,000 is not recommended. HCID funds would have represented \$88,235 per unit and 28% of the total development cost. The HCID funding would have been leveraged with conventional financing, 4% bond equity, and a seller's note.

Prepared By: Los Angeles Housing and Community Investment Department

**STAFF REPORT
January 23, 2018**

**Western Avenue Apartments
5501 S Western Ave
Los Angeles, CA 90062**

**New Construction
Council District No: 8**

PROJECT DESCRIPTION

The proposed 33-unit project is the transformation of a motel in South Los Angeles to a renovated modern apartment complex for homeless and chronically homeless veterans. The Western Avenue apartments will be comprised of studio units, community rooms, a communal kitchen, a laundry room, and counseling offices. The design of the building will be renovated and modernized, while all the mechanical, engineering, and plumbing in each unit will be new. The surrounding landscaping and parking will be improved as well. Since the current motel is underutilized and there is a substantial number of homeless veterans in the south Los Angeles area, this investment will both support an important subpopulation within the city and reduce the blight in the surrounding community.

In addition to new kitchen appliances, fully furnished bedrooms with new furniture, and televisions, the property will include counseling office to accommodate a counselor for every 16 residents and a community room.

The population served will be homeless and chronically homeless veterans. This property will be supported by project-based VASH vouchers, meaning residents pay only 30% of their income on rent and are provided with additional social service and counseling support. Step Up On Second will be providing the social services and serve as the property manager.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of 4% TCAC bond equity and a conventional loan.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Western Apartments will be owned by Figueroa Economical Housing Development Corp as the Managing General Partner, VHP as the Co-General Partner, Step Up on Second Street as the Administrative General Partner, as well as a to be determined limited partner.

PERMANENT FUNDING SOURCES

	Source	\$	Amount
HHH			6,787,742
4% TCAC Equity			3,130,411
Conventional/Bank Financing			2,085,789

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	0	0	0	0	33	33
1 Bedroom	1	0	0	0	0	0	1
2 Bedroom	0	0	0	0	0	0	0
3 Bedroom	0	0	0	0	0	0	0
Total	1	0	0	0	0	33	34

FUNDING RECOMMENDATION

A HCIDLA funding commitment of up to \$6,787,742 is not recommended. HCID funds would have represented \$205,689 per unit and 56.5% of the total development cost. The HCID funding would have been leveraged with conventional financing and 4% bond equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 23, 2018

Building 205
11301 Wilshire Blvd #205
Los Angeles, CA 90073

Rehabilitation
Council District No:11

PROJECT DESCRIPTION

VA Building 205 is the transformation of an underutilized building in the West Los Angeles Veterans Administration Campus. The property is currently vacant office space that will become a total of 67 units (36 one-bedroom and 31 studio units) serving chronically homeless veterans. The building will also have a manager's unit, community rooms, a gym, a communal kitchen, a laundry room, and counseling offices. Due to the historic nature of the building, it will be restored accordingly, with extensive renovation required to create the proposed residential units; the design will be consistent with the surrounding VA buildings. Since this is an older building, the construction will involve the mitigation of all asbestos and lead and will involve substantial structural improvements. The units will range in size from 300 to 500 square feet. All of the surrounding landscaping and parking will be improved as well. Since the current property is sitting vacant, and is thus underutilized, and there is a substantial number of homeless veterans in the area, this investment will both support an important subpopulation within the city and reduce the blight in the surrounding community.

In addition to new kitchen appliances, fully furnished bedrooms with new furniture, and televisions, the property will include counseling office to accommodate a counselor for every 16 residents and a community room.

The population served will be homeless and chronically homeless veterans. This property will be supported by project-based VASH vouchers, meaning residents pay only 30% of their income on rent and are provided with additional social service and counseling support. Step Up On Second will be providing the social services and serve as the property manager.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of 4% bond equity, conventional financing, and a seller's note.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Building 205 is currently occupying federal land, but the project has been awarded an Enhanced Use lease to redevelop the property. The project will be owned by a tax credit Limited Partnership with Figueroa Economical Housing Development Corp as the Managing General Partner, VHP as the Co-General Partner, Step Up on Second Street as the Administrative General Partner, and a to be determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$ 12,000,000
4% TCAC Equity	10,636,511
Conventional/Bank Financing	6,431,502
Seller Note	8,926,419
 Total	 <u>\$ 37,994,432</u>

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	0	0	0	0	36	36
1 Bedroom	0	0	0	0	0	31	31
2 Bedroom	0	0	0	0	0	0	0
3 Bedroom	0	0	0	0	0	0	0
 Total	 0	 0	 0	 0	 0	 67	 67

FUNDING RECOMMENDATION

A HCIDLA funding commitment of up to \$12,000,000 is not recommended at this time. However, HCID continues to communicate with the borrower and a commitment for the current 2017 Winter HHH funding round will be contingent on the satisfaction of all outstanding items and concerns within the agreed-upon timeframe. HCID funds represent \$181,818 per unit and 31.6% of the total development cost. The HCID funding is leveraged with 4% bond equity, conventional financing, and a seller's note.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 23, 2018

Building 208
11301 Wilshire Blvd #208
Los Angeles, CA 90073

Building Rehabilitation
Council District No: 5

PROJECT DESCRIPTION

VA Building 208 is located in the Veterans Affairs Campus in West Los Angeles. The current three-story property dates back to 1940. A portion of the building is currently being used for medical services by the VA Campus. Building 208 will become a total of 54 units (28 one-bedroom units and 26 studio units) serving chronically homeless veterans. The building will also have a manager's unit. Due to the historic nature of the building it will be restored accordingly. The renovation will be extensive involving the creation of residential units meaning all of the mechanical, engineering and plumbing will be built for each unit. Since this is an older building the construction will involve the mitigation of all asbestos and lead and will involve substantial structural improvements throughout. The units will range in size from 300 to 500 square feet.

New amenities will be provided throughout the entire building. Amenities include, but are not limited to the following:

- new kitchens (stoves, cabinets, microwaves, sinks/faucets, refrigerators, dishwashers, garbage disposal, fully furnished units with televisions)
- new bathrooms (sink/faucets, bath tubs, toilets, mirrors), new bedroom furniture (mattress, bed frames, bedroom cabinets).
- new common areas including community/service rooms, gym, communal kitchen, laundry room, library and counseling offices

Since this building has a VASH contract it will have enough counseling areas to accommodate a counselor for every 16 residents.

The population served will be homeless or chronically homeless veterans. This property will have project based VASH which means that the residents will only use 30% of their income on rent but it also comes with social services and counseling for the veterans. (HCIDLA note: applicant declared the units will be 30% AMI in the application narrative, but submitted 60% AMI in the application units section).

Step Up On Second will be providing the social services and serve as the property manager thus providing a comprehensive service plan.

PROJECT FINANCE SUMMARY

The permanent financing will involve tax-exempt bonds, tax credit equity, and HHH funds. The tax-exempt bonds will have a thirty-five (35) year term, and amortized over this term. After a pay down of a portion of the construction loan using the final installments of tax credit equity, the permanent portion of the tax-exempt financing will remain with Redstone Capital with a fixed interest rate expected to be 5.25% (if funded today).

In addition to the permanent loan, the developer will also be able defer a portion of the developer fee if necessary due to cost overruns. The deferred developer payment will be coming entirely from available cash flow. The remaining financing will be from tax credit equity paid at \$0.93 per credit dollar.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Building 208 is currently owned by the federal land but has been awarded an Enhanced Use Lease that will allow us to redevelop this property into affordable housing for homeless or chronically homeless veterans. The lease will be for 75 years and will be executed at closing. To obtain the necessary funds, the leasehold interest will be sold to a limited partnership to generate tax credits and access the tax-exempt bonds. The ownership structure consists of the following:

1. Figueroa Economical Housing Development Corporation as the Managing General Partner (.06%)
2. VHP, LLC as the Co-General Partner (.02%)
3. Step Up on Second Street Inc. as the Administrative General Partner (.02%)
4. Limited Partner who has yet to be determined (99.99%)

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$ 11,880,000
4% TCAC Equity	8,367,259
HACOLA-COI	
Conventional/Bank Financing	5,089,740
GP Equity	
Seller Note	10,018,103
HCD AHSC	
HCD IIG	
Deferred Dev Fee	
Total	<u>\$ 35,355,102</u>

AFFORDABILITY STRUCTURE

HCIDLA note: applicant declared the units will be 30% AMI in the application narrative, but submitted 60% AMI in the application units section.

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	0	0	0	0	26	26
1 Bedroom	1	0	0	0	0	27	28
2 Bedroom	0	0	0	0	0	0	0
3 Bedroom	0	0	0	0	0	0	0
Total	1	0	0	0	0	53	54

FUNDING RECOMMENDATION

A HCIDLA funding commitment of up to \$11,880,000 is not recommended at this time. However, HCID continues to communicate with the borrower and a commitment for the current 2017 Winter HHH

funding round will be contingent on the satisfaction of all outstanding items and concerns within the agreed-upon timeframe.

Prepared By: Los Angeles Housing and Community Investment Department

Attachment

E

(Secondary Appraisal: West Third & Western)

To: Timothy Elliot
From: Deloris Waldron MAI

At your request, I have read the two appraisals submitted to you by your perspective client. At this time I am unable to perform a review that conforms to the Uniform Standards and Appraisal Practice (USPAP) for several reasons.

- The appraisals appear to be misleading as they are providing a hypothetical value estimate for a conversion of motels to low income housing projects.--The appraiser has failed to identify this as a hypothetical valuation.
- There is insufficient information that describes in detail the characteristics of the proposed housing project- only one appraisal has the proposed floor plans, both appraisals lack specification details as to what actually is to be done to make these habitable units i.e. finished flooring, heating and ventilating units replacements, insulation installation, window replacement, individual metered utilities etc., kitchen equipment for one of the projects, to mention a few.
- There is no mention of the cost to covert the units and as to the feasibility of the conversion.
- Details are not provided as to the allowable rent for the perspective low income tenants.
- The appraisal does not address the "AS IS" value, the Value as of Completion along with its estimated completion date. It only addresses a value at stabilized occupancy but does not indicate the date at which it is expected to reach stabilized occupancy.
- A form report for a complex appraisal project with adding additional information is not the best way of providing the reader with sufficient information to make this a believable value estimate.
- Finally, I would question the appraiser's regional competency in light of the fact that his offices are in Fresno and that his selection of the data in the report could have been better.

In addition to the fact that the appraisals lack compliance with USPAP for a proposed project, I have several issues with the comparables. Generally, speaking a 10 unit apartment building is not comparable to a 34 unit project nor is a 10, 32 and 36 unit apartment building comparable to a 137 unit project, so that could have added project that were similar in number of units, by locating other sales in similar neighborhoods- which why I question his regional competency. Moreover, the appraiser's justification on a per unit value comes from sales that have mostly one bedroom units-by doing this he can easily overstate the value of singles units with or without kitchenettes.

Based on my preliminary research, I found the value of \$200,000 high for a singles unit-one that includes a kitchenette--the price per unit values may be in the range of \$175,000. If the units do not have kitchens then the values on a per unit basis are likely to be closer to the \$120,000 range. Now keep in mind, that I am just telling the range of data that I found and it is not my opinion of the subject property's values as I would need to complete a full analysis and report it in a USPAP compliant report.

I really do not have any issue with the Capitalization rates actually used in the reports because in this tight market they range from 3.5% to 4.5%. Conversely, the Gross Income Multiplier range from 12 to 14. The crux of the problem However, then lies in what are the appropriate rents for these low income housing projects and what is their net operating income. Quite frankly, for these types of projects the value is generally set by the capitalization of the net operating income.

Because I would most likely disagree with the conclusions reached in the two appraisal reports, I would be required to complete a USPAP compliant appraisal rather than a review of the appraiser's report. Therefore I cannot accept this review assignment.

If you want your client to complete a new appraisal assignment, I suggest that you require them to use an appraiser that is on your approved list or other appraiser's that have submitted reports to you in the past where you were convinced that their reports were credible.

I hope this memo will be helpful in deciding on the course of action necessary for you to make a loan on these properties.

Deloris Waldron MAI, SRA

Attachment

F

(Consultant Financial Review: West Third &
Western)



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
Real Estate
Redevelopment
Affordable Housing
Economic Development

To: Tim Elliott, Manager
City of Los Angeles

From: Julie Romey

SAN FRANCISCO
A. Jerry Keyser
Timothy C. Kelly
Kate Earle Funk
Debbie M. Kern
Reed T. Kawahara
David Doezema

Date: January 5, 2018

Subject: Financial Review – 1900 W. 3rd Street HHH Application

LOS ANGELES
Kathleen H. Head
James A. Rabe
Gregory D. Soo-Hoo
Kevin E. Engstrom
Julie L. Romey

At the request of the Housing and Community Investment Department (HCID) of the City of Los Angeles, Keyser Marston Associates, Inc. (KMA) reviewed the HHH NOFA response from West Third Apartments Preservation, LP (Applicant) and prepared a financial gap analysis. The following summarizes the proposal:

SAN DIEGO
Paul C. Marra

1. The Applicant will acquire a 137-room motel located in the Westlake area at 1900 W. 3rd Street (Property), which is on the southwest corner of W. 3rd Avenue and S. Bonnie Brae Street, and convert the Property into a permanent supportive housing project for homeless veterans (Project).
2. The Applicant requests that the Project receive \$12,000,000 in HHH funds.

KMA reviewed the NOFA Detail Report, TCAC Application, Appraisal and the Purchase and Sale Agreement (PSA) as well as other related documents submitted with the Applicant's proposal. KMA then prepared a financial analysis of the proposal to determine the financial feasibility of the proposed Project. The detailed KMA analysis is located at the end of this memorandum and is organized as follows:

Appendix A – Applicant's Proposal	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis

Appendix B – KMA’s Analysis	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis
Table 4	Cash Flow Analysis

Appendix C – Comparison Analysis	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis

EXECUTIVE SUMMARY

After a detailed review of the HHH application provided by the Applicant, KMA has identified several serious issues with the information provided and pro forma assumptions, as follows:

1. Due to conflicting information provided in the Application documents, it is not clear who the current owner of the Property is at this time. However, it does appear that the Applicant is proposing a related party transaction.
2. Based on questionable assumptions in the Appraisal, the value of the Property may be approximately \$10,683,000 lower than the proposed Purchase Price.
3. The Applicant’s assumption that there will be no relocation or remediation costs associated with the Project appear to be unreasonable and understates the development costs by approximately \$785,000.
4. The HHH Regulations specifically state that all projects utilizing HHH funds will be required to pay State prevailing wages and possibly enter into a project labor agreement. KAM estimates the Applicant has under estimated the construction costs by approximately \$1,145,000.
5. Due to a sale of the Property in 2013, the Project will not be eligible for Acquisition Tax Credits and the Tax Credit equity projected to be generated is overstated by the Applicant by approximately \$7,135,000.
6. The Applicant assumes that a \$5,188,000 carry back note will be provided by the Seller of the Property. However, this assumption is not mentioned in the PSA

and given the expectation that the Appraised value will be lowered significantly from the \$30,000,000 proposed Purchase Price, it is anticipated that this funding source will not be available to the Project.

7. KMA identified the following missing or incomplete items from the Applicant's submittal:
 - a. Preliminary Title Report;
 - b. Site Control provided by the Current Owner of the Property;
 - c. An As-Is Appraisal; and
 - d. A Relocation analysis.

The following is a comparison of the Applicant and KMA assumptions:

Estimated Development Costs	Applicant	KMA	Differences
Property Assemblage Costs	\$30,000,000	\$20,295,000	\$9,705,000
Rehabilitation Costs	5,730,000	6,875,000	(1,145,000)
Indirect/Financing Costs	7,042,000	6,439,000	603,000
Total Development Costs	\$42,772,000	\$33,609,000	\$9,163,000
Per Unit	\$312,200	\$245,320	\$66,880

Stabilized Net Operating Income	Applicant	KMA	Difference
Tenant Portion + VASH Subsidy	\$2,008,992	\$2,441,472	(\$432,480)
Miscellaneous Income	0	19,728	(19,728)
Gross Income	\$2,008,992	\$2,461,200	(\$452,208)
(Less) Vacancy & Collection Allowance	(100,450)	(246,120)	145,670
Effective Gross Income	\$1,908,542	\$2,215,080	(\$306,538)
(Less) General Operating Expenses	(990,274)	(990,274)	0
(Less) Property Taxes	(4,300)	(4,300)	0
(Less) Social Services Coordination	(0)	(10,000)	(10,000)
(Less) Issuer / Bond Fees	(0)	(1,500)	(1,500)
(Less) Replacement Reserves	(41,100)	(41,100)	0
Net Operating Income	\$872,868	\$1,167,906	(\$295,038)

Potential Funding Sources	Applicant	KMA	Difference
Permanent Loan/TEB	\$13,870,000	\$12,559,000	\$1,311,000
Tax Credit Equity	11,714,000	4,579,000	7,135,000
Seller's Note	5,188,000	0	5,188,000
HHH Loan	12,000,000	12,000,000	0
Deferred Developer Fee	0	0	0
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000

Financial Surplus / (Gap) Calculation	Applicant	KMA	Difference
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000
(Less) Total Development Costs	(42,772,000)	(33,609,000)	(9,163,000)
Financial Surplus / (Gap)	\$0	(\$4,471,000)	\$4,471,000

The result of the above-mentioned issues causes KMA to conclude that the Project is not feasible as proposed and would require at least \$4,471,000 in additional funding sources. In addition, the Applicant did not provide several threshold application items.

SUMMARY OF FINANCIAL PROPOSAL

The following summarizes the Applicant's proposal as well as the issues identified by KMA.

Project Description

It should be noted that the application documents are not consistent in the details about the proposed Project description.

Existing Use

The current use of the Property is a functioning 137 room motel. The Property is known as Center Lake Hotel with a starting room rate of \$109 per night. The motel currently advertises on several hotel booking websites. There was a fire at the Property in 2016 and 32 rooms were repaired and renovated as fire damaged, with the remaining rooms renovated in 2016. The 4,000-square foot coffee shop is closed and is being renovated into the new hotel lobby.

Current Ownership

According to the Appraisal, Costar research and the Zimas Report, the Property was last sold on December 13, 2017 for \$7,075,000 to Royal Park Motel, LP (Current Owner). However, the PSA and TCAC Application call out Communities for a Better Life, Inc. as

the current seller of the Property while the NOFA Detail Report lists BlueGreen Preservation and Development, Inc. as the seller. The Applicant did not provide a Preliminary Title Report, which would provide clarity on the ownership issue.

Site Control

The Applicant states that they are in escrow with Royal Park Motel, LP to purchase the property for \$30,000,000 as of December 20, 2017, which will expire by December 31, 2018. However, the PSA is executed by Greg Brown, a board member of Communities for a Better Life, Inc., which has the same address as the Applicant.¹ As previously mentioned, there is confusion over who is the actual current owner. Therefore, the reliability of the PSA as meeting the NOFA's site control requirements is in question. Based on the information provided by the Applicant, KMA concludes that the Applicant is proposing to purchase the Property from a related party.

Relocation

The Applicant presented the proposed Project as not requiring any households to be relocated. However, the Property is in use and has also been referred to as a long-term residential hotel. The Applicant will be required to follow the City's Relocation requirements for households that are not transient.

Environmental Condition

The Applicant provided a Phase I report that found no areas of concern for the current operations as a motel but will need to adhere to various disposal requirements regarding lead-based paint and asbestos during the rehabilitation. The consultant also found no need for further investigation. A Soils Report was not provided since the Property is pre-existing.

Scope of Development

The proposed Project is in one two-story building over a subterranean parking structure. The building includes 4,000 square feet of commercial space, an elevator and no amenities. The Applicant proposes to rehabilitate the Property so that the Project includes the following:

¹ The Phase I Report is also addressed to Greg Brown of Western Third Apartments Preservation, LP (Applicant) c/o Blue Green Preservation and Development, LLC (Consultant).

Proposed Project Description	
Land Area ²	42,134 Square Feet, 0.97 Acres
Unit Mix	137 Studio Units, 142 Units/Acre
Gross Building Area	50,750 Square Feet, 1.20 FAR
Parking Spaces	80 Spaces, 0.58 Spaces/Unit
Amenities	3,750 Square Foot Community Space, including community/service rooms, communal kitchen, laundry room and counseling office.
Targeted Population	Chronically homeless veterans Homeless veterans
Manager's Unit	1 Studio Unit

The existing zoning (C2) allows for a residential conversion; however, KMA is uncertain about any parking requirement changes. The Applicant did not provide a detailed scope of rehabilitation for the Project other than the following:

1. New mechanical, engineering and plumbing for each unit.
2. New kitchens, bathrooms for each unit.
3. New common areas that will include counseling areas able to accommodate a counselor for every 16 residents, or eight counselors.
4. The design of the building will remain as is, but will be renovated and modernized.
5. All the surrounding landscaping and parking will be improved as well.

² Appraisal and NOFA Detail Report sets land area at 42,134 square feet while the TCAC Application sets the land area at 39,204 square feet.

Project Timeline

	Estimated Timeline
Site Acquired	May 2018
Local Permits Completed	N/A
Construction Loan Closing/Disbursed	May 2018
Construction Start	June 2018
HHH Loan Closing/Disbursed	July 2018
Construction Completion	February 2019
Permanent Loan Closing/Disbursed	February 2019
Placed In Service	February 2019
Permanent Loan Closing	February 2019

It should be noted that the Applicant plans on receiving the requested HHH funds in July 2018. However, HCID will not have the funds available for disbursement until September 2018.

Summary of Borrower

<i>Managing General Partner</i>	Figueroa Economical Housing Development Corporation
<i>Co-General Partner</i>	Veterans Housing Partnership (VHP, LLC)
<i>Administrative General Partner</i>	Step Up on Second, Inc.
<i>Limited Partner</i>	Undetermined

Summary of Development Team

<i>Developer</i>	Figueroa Economic Housing Development Corporation
<i>Property Manager</i>	Step Up on Second, Inc.
<i>Architect</i>	Sejal Sonani (Individual)
<i>General Contractor</i>	Webcor Builders / Shangri-la Construction
<i>Consultant</i>	Blue Green Preservation and Development, LLC
<i>CASp</i>	Chad Frisby (Individual)
<i>Supportive Services</i>	Step Up on Second, Inc.

Project Description Issues Identified by KMA

The following summarizes the issues identified by KMA regarding the Project Description.

1. Application documents are not consistent about the proposed Project Description.
2. The proposed Project doesn't include any amenities other than a 3,750-square foot community room.
3. The current Property owner has not been sufficiently identified.
4. The PSA suggests that the current owner and Applicant are related parties.
5. A detailed rehabilitation plan/description was not provided.

Estimated Development Costs (Appendix A – Table 1)

The Applicant estimates the development costs to total as follows:

	Totals	\$/Unit
Property Assemblage Costs	\$30,000,000	\$218,980
Rehabilitation Costs	5,730,000	41,820
Indirect/Financing Costs	7,042,000	51,400
Total Development Costs	\$42,772,000	\$312,200

The following summarizes the issues KMA identified with the estimated development cost:

Purchase Price / Appraisal

KMA reviewed the appraisal provided by the Applicant, dated November 7, 2017 and prepared by James G. Palmer Appraisals, Inc. (Appraiser) that sets the market price of the Property at \$30,000,000. KMA identified the following issues with the appraisal:

- The appraisal is a highest and best use market rate appraisal instead of an "As-Is" appraisal as required by TCAC and the HHH NOFA.
- The Appraisal states that the Property has rooms with kitchens. However, none of the documents provided by the Applicant indicate this is so. The Appraisal also states the Property does not include an elevator but the Site Plan, attached to the Appraisal, clearly shows one elevator. The Appraisal also claims that the Property has 4,000 square feet of commercial space. However, this space is currently being renovated into a hotel lobby.

- There is no clear analysis on how the \$1,025 per unit monthly market rent was arrived at based on the rental comparables provided.
- For the Income Approach, the Appraiser used a 3.75% capitalization rate, which is the same rate used for the Western Appraisal, which is not a mixed-use project. Presumably, a mixed-use project would have a higher capitalization rate than a purely residential project.
- The Appraiser made the ‘extraordinary assumption’ that the Property will be exempt from real estate taxes as the result of the anticipated welfare exemption provided to affordable housing projects. Currently, the Property does not receive a welfare exemption and is required to pay property taxes. However, the Appraiser used market rate rents and did not include property taxes. If the property taxes are included, the Income Approach results in a value of \$23,427,000 instead of the \$30,000,000 estimated in the Appraisal.
- The Income Approach doesn’t deduct costs of renovating the motel into an apartment building, including kitchens (at least \$30,000/unit). This deduction would result in an additional \$4.11 million reduction in the Appraised Value.

If the property taxes are included in the operating expense and the renovation costs are deducted, KMA estimates the Property value to be \$19,317,000 for purposes of this analysis. However, KAM recommends an As-Is appraisal be conducted for the Property prior to HCID awarding the Project any HHH funds.

Relocation Costs

While the Applicant claims that there will be no relocation costs associated with the proposed conversion of the motel into apartments, KMA concludes that it is highly likely that at least a portion of the rooms are inhabited by households that have become long-term residents. There is also a high probability that the rooms are housing more than two people, which means those households would need to be permanently relocated. The Applicant will be required to provide relocation benefits to such households per the Relocation Policy of the City of Los Angeles. KMA’s analysis includes a \$685,000 allowance for relocation costs, or \$5,000 per unit.

Remediation Costs

While the various reports mention the need for lead-based paint and asbestos remediation during the rehabilitation period, these costs are not included in the

development cost estimate. KMA’s analysis includes a \$100,000 allowance for remediation costs.

Rehabilitation Costs

Without a detailed rehabilitation scope of work, it is difficult to determine whether the \$30,000 per unit estimate will be sufficient to rehabilitate the Property. The rooms have recently been renovated but kitchens will need to be added to each room and the community room built out.

Prevailing Wage Requirement

The rehabilitation costs do not include prevailing wages, as required by the HHH Regulations. KMA’s analysis includes a 20% premium on the rehabilitation costs.

Developer Fee

The Applicant assumed that the Project would be eligible for the maximum allowable Developer Fee of \$2,500,000. This estimate assumes that the Project would earn a portion of the Developer Fee from the acquisition eligible basis. However, the Applicant is also assuming that the Property is eligible for the Acquisition Tax Credit and has not been transferred for over 10 years. Based on the KMA research of the Property ownership, it was discovered that the last sale took place in 2013, which is less than the 10-year minimum. As such, the Project will not be eligible for Acquisition Tax Credits. KMA’s analysis assumes the Developer fee is set at \$1,488,000 instead of \$2,500,000.

Applicant vs KMA Estimated Development Costs (Appendices B & C – Table 1)

The following compares the results of the Applicant and KMA development cost assumptions. The detailed assumptions are provided in Table 1.

	Applicant	KMA	Differences
Property Assemblage Costs	\$30,000,000	\$20,295,000	\$9,705,000
Rehabilitation Costs	5,730,000	6,875,000	(1,145,000)
Indirect/Financing Costs	7,042,000	6,439,000	603,000
Total Development Costs	\$42,772,000	\$33,609,000	\$9,163,000
Per Unit	\$312,200	\$245,320	\$66,880

While the Applicant did not include a prevailing wage premium in the construction cost estimate, the reduction in the Purchase Price and Developer Fee cause the KMA development cost estimate to be \$9,163,000 lower, or approximately 27% lower, than the Applicant’s total development cost estimate. This differential is significant.

Stabilized Net Operating Income (Appendix A – Table 2)

The Applicant estimates the stabilized net operating income (NOI) as follows:

	Totals	Metrics
Tenant Portion + VASH Subsidy	\$2,008,992	2016 Contract Rent
Miscellaneous Income	0	N/A
Gross Income	\$2,008,992	
(Less) Vacancy & Collection Allowance	(100,450)	5% of Gross Income
Effective Gross Income	\$1,908,542	
(Less) General Operating Expenses	(990,274)	\$7,228/Unit/Year
(Less) Property Taxes	(4,300)	Allowance
(Less) Social Services	(0)	N/A
(Less) Issuer / Bond Fees	(0)	N/A
(Less) Replacement Reserves	(41,100)	\$300/Unit/Year
Net Operating Income	\$872,868	

The following summarizes the issues KMA identified with the Applicant’s stabilized NOI assumptions:

VASH Contract Rent

The 2017 VASH voucher contract rate for studio units is \$1,496 while the Applicant assumed the 2016 rate of \$1,231. Therefore, if the Project is awarded 136 VASH vouchers, the gross rental income should increase by approximately 21%.

Miscellaneous Income

The Applicant assumed that Project would not generate any miscellaneous income. KMA assumed that the Project would generate \$12 per unit per month in miscellaneous income, which is typical for similar projects.

Vacancy & Collection Allowance

The Applicant has assumed a 5% vacancy and collection allowance. However, the minimum TCAC allowance for similar projects is 10%. KMA assumed the more conservative allowance of 10% in the KMA analysis as the tenants will be generated from the County of Los Angeles system, which can cause a longer turn around period after a tenant vacates a unit.

Operating Expenses

While the Applicant’s estimate for annual general operating expenses at \$7,228 per unit is reasonable, a minimal budget for coordination of social services, as required by TCAC,

is not included. The Applicant also did not include annual issuer / bond fees. KMA included these estimated at \$10,000 for social services and \$1,500 for issuer fees.

Applicant vs KMA Stabilized NOI (Appendices B & C – Table 2)

The following compares the results of the Applicant and KMA stabilized NOI assumptions. The detailed assumptions are provided in Table 2.

	Applicant	KMA	Difference
Tenant Portion + VASH Subsidy	\$2,008,992	\$2,441,472	(\$432,480)
Miscellaneous Income	0	19,728	(19,728)
Gross Income	\$2,008,992	\$2,461,200	(\$452,208)
(Less) Vacancy & Collection Allowance	(100,450)	(246,120)	145,670
Effective Gross Income	\$1,908,542	\$2,215,080	(\$306,538)
(Less) General Operating Expenses	(990,274)	(990,274)	0
(Less) Property Taxes	(4,300)	(4,300)	0
(Less) Social Services Coordination	(0)	(10,000)	(10,000)
(Less) Issuer / Bond Fees	(0)	(1,500)	(1,500)
(Less) Replacement Reserves	(41,100)	(41,100)	0
Net Operating Income	\$872,868	\$1,167,906	(\$295,038)

By using the 2016 VASH contract rents, the Applicant’s stabilized NOI is estimated to be approximately 34% lower than the KMA estimate. This differential is significant.

Financing Structure (Appendix A – Table 3)

The Applicant estimates the total potential permanent funding sources as follows:

	Totals	\$/Unit
Permanent Loan/TEB	\$13,870,000	\$101,240
Tax Credit Equity	11,714,000	85,500
Seller’s Note	5,188,000	37,870
HHH Loan	12,000,000	87,590
Deferred Developer Fee	0	0
Total Potential Funding Sources	\$42,722,000	\$312,200

The following summarizes the issues identified by KMA with the Applicant’s potential funding source assumptions:

Permanent Loan

The Applicant proposes to fund the Project using tax-exempt bonds (Bonds) as follows:

Bond Amount – Permanent	\$13,870,000
Term³	40 Years
Interest Rate	5.25%
Debt Coverage Ratio	1.15
Annual Debt Service	\$759,016
Security	Unsubordinated

However, the Applicant made an error in calculating the permanent loan size. Annual debt service payments of \$759,016, a 5.25% interest rate and a 40-year loan term results in a \$12,679,000 loan, which is \$1,191,000 lower than the Applicant’s estimated \$13,870,000 loan amount.

KMA also notes that the VASH contract is expected to have a 20-year term and there are no guarantees that the contract will be extended. Therefore, it will be risky for a lender to provide a 40-year loan when the contract is only guaranteed for 20 years. KMA estimated the permanent loan assuming a 20-year term, a 1.15 debt coverage ratio and a 5.25% interest rate, which combined with the significantly higher stabilized NOI estimate, results in a permanent loan of \$12,559,000, or \$1,311,000 lower than the Applicant’s estimate.

Acquisition Tax Credits

The following summarizes the anticipated Tax Credit equity to be generated by the Project:

Eligible Basis	Acquisition - \$30,604,000 Rehabilitation - \$8,155,387
QCT/DDA Adjustment	Yes
Applicable Fraction	100%
Applicable Percentage	3.25%
Total Federal Tax Credits	\$13,392,000
% of Gross Tax Credit Taken	100%
Syndication Value	\$0.87
Net Tax Credit Equity	\$11,714,000
% Allocated During Construction	30%

³ In the NOFA Detail Report, the Applicant states the permanent loan term will be 35 years. However, the figures used in the TCAC Application indicate the term would be 40 years.

The Applicant set the Tax Credit equity rate at \$0.87 per Tax Credit, which is below the minimum range provided in the HHH Regulations. KMA estimated the Tax Equity rate at \$0.95 per Tax Credit.

As previously discussed, the Property is not eligible for Acquisition Tax Credits due to a sale in 2013. When the Acquisition basis is removed and the eligible basis is increased due to the KMA development cost assumptions, the gross Tax Credits to be generated by the Project is estimated at \$4,821,000, which is \$8,571,000 less than the Applicant's estimate.

Seller's Note

The Applicant has included a \$5,188,000 Seller Note as a potential funding source, of 17% of the proposed Purchase Price. However, there is no mention of the seller carry back note in the PSA. Given that the TCAC Application states this source of funds isn't secured and the potential for a significant decrease in the Purchase Price, KMA assumed a Seller Note would not be available to the Project.

HHH Loan

While the Applicant's \$12,000,000 HHH loan request is appropriate, the Application documents repeatedly note that the \$12,000,000 will be available to the Project on July 2018. However, the funds won't be available for disbursement until September 2018, which will probably impact the Project timeline.

Applicant vs KMA Potential Funding Sources (Appendices B & C – Table 3)

The following compares the results of the Applicant and KMA potential funding source estimates:

	Applicant	KMA	Difference
Permanent Loan/TEB	\$13,870,000	\$12,559,000	\$1,311,000
Tax Credit Equity	11,714,000	4,579,000	7,135,000
Seller's Note	5,188,000	0	5,188,000
HHH Loan	12,000,000	12,000,000	0
Deferred Developer Fee	0	0	0
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000

Therefore, based on the KMA assumptions, the Applicant has overstated the potential funding sources for the Project by \$13,634,000, or 47%.

Applicant vs. KMA Financial Gap Calculation (Appendices A & B & C – Table 3)

The following compares the results of the KMA analysis:

	Applicant	KMA	Difference
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000
(Less) Total Development Costs	(42,772,000)	(33,609,000)	(9,163,000)
Financial Surplus / (Gap)	\$0	(\$4,471,000)	\$4,471,000

The Applicant presents the proposed Project as being financial feasible; however, KAM has identified significant issues with the Applicant’s assumptions. As such, KMA concludes that the Project will require approximately \$4,471,000 in additional unidentified funding sources. Therefore, the Project is determined to be infeasible as proposed.

REQUESTED HHH LOAN

The Applicant has requested a total of \$12,000,000 in HHH funds. A total of 136 units will be considered HHH units, of which 68 units, or 50% of the HHH units, will be set aside for chronically homeless households. The following summarizes how the funding request was calculated:

PSH – CH Units	68 units x \$88,235	\$6,000,000
PSH Units	68 units x \$88,235	6,000,000
Total HHH Loan Requested	136 units x \$88,235	\$12,000,000

The Applicant’s request is at the maximum allowable HHH loan amount but below the \$220,000 per unit maximum.

Cash Flow Analysis (Appendix B – Table 4)

The Applicant’s cash flow analysis shows the Project to have positive cash flow through year 15, as required by the HHH regulations. However, due to several incorrect assumptions by the Applicant, KMA restated the cash flow analysis. The analysis illustrates that the Project will have positive cash flow through year 55 and that the HHH loan is estimated to be repaid by year 49. However, this analysis doesn’t consider the terms of the additional funding sources that will be needed to make the Project feasible.

HHH FINANCIAL THRESHOLD REQUIREMENTS

KMA identified the following missing or incomplete items from the Applicant's submittal:

1. Preliminary Title Report;
2. Site Control provided by the Current Owner of the Property;
3. An As-Is Appraisal; and
4. A Relocation analysis.

CONCLUSIONS

Based on the KMA analysis, the feasibility of the proposed Project is in question due to the following major issues:

1. Due to conflicting information provided in the Application documents, it is not clear who the current owner of the Property is at this time. However, it does appear that the Applicant is proposing a related party transaction.
2. Based on questionable assumptions in the Appraisal, the value of the Property may be approximately \$10,683,000 lower than the proposed Purchase Price.
3. The Applicant's assumption that there will be no relocation or remediation costs associated with the Project appear to be unreasonable and understates the development costs by approximately \$785,000.
4. The HHH Regulations specifically state that all projects utilizing HHH funds will be required to pay State prevailing wages and possibly enter into a project labor agreement. KAM estimates the Applicant has under estimated the construction costs by approximately \$1,145,000.
5. Due to a sale of the Property in 2013, the Project will not be eligible for Acquisition Tax Credits and the Tax Credit equity projected to be generated is overstated by the Applicant by approximately \$7,135,000.

6. The Applicant assumes that a \$5,188,000 carry back note will be provided by the Seller of the Property. However, this assumption is not mentioned in the PSA and given the expectation that the Appraised value will be lowered significantly from the \$30,000,000 proposed Purchase Price, it is anticipated that this funding source will not be available to the Project.

The result of the above-mentioned issues causes KMA to conclude that the Project is not feasible as proposed and would require at least \$4,471,000 in additional funding sources. In addition, the Applicant did not provide several threshold application items.

**APPENDIX A
APPLICANT'S PROPOSAL**

APPENDIX A - TABLE 1 (APPLICANT'S PROPOSAL)

ESTIMATED DEVELOPMENT COSTS
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Land Assemblage Costs				
Land Acquisition Costs ¹	42,134	Sf Land Area	\$712 /Sf Land	\$30,000,000
Relocation Costs ²	137	Relocated HHs	\$0 /Unit	0
Demolition / Remediation Costs		Allowance		0
Closing Costs		0.0% of Acquisition Costs		0
Total Land Assemblage Costs	137	Units	\$219,000 /Unit	\$30,000,000
II. Direct Costs ³				
Off-site Improvements		Allowance		\$0
On-site Improvements	42,134	Sf Land Area	\$0 /Sf Land Area	0
Rehabilitation Costs	137	Units	\$30,000 /Unit	4,110,000
Furnishings, Fixtures & Equipment	137	Units	\$2,000 /Unit	274,000
Contractor Fees / General Requirements		14% of Construction Costs		575,000
Construction Insurance / Bonds		2% of Construction Costs		68,000
Contingency Allowance		14% of Other Direct Costs		703,000
Total Direct Costs	50,750	Sf GBA	\$113 /Sf GBA	\$5,730,000
III. Indirect Costs				
Architecture, Engineering & Consultants		5% of Direct Costs		\$287,000
Permits & Fees ⁴	137	Units	\$1,368 /Unit	187,000
Taxes, Insurance, Legal & Accounting		3% of Direct Costs		175,000
Marketing & Leasing	137	Units	\$69 /Unit	10,000
Developer Fee ⁵				2,500,000
Contingency Allowance		17% of Other Indirect Costs		543,000
Total Indirect Costs				\$3,702,000
IV. Financing Costs				
Construction Interest ⁶	\$25,000,000	TE Bonds	5.25% Interest	\$1,533,000
Financing Fees				
Construction Loan	\$25,000,000	TE Bonds	1.88 Points	470,000
Permanent Loan	\$13,870,000	TE Bonds	1.00 Points	139,000
Issuance Costs	\$25,000,000	TE Bonds	0.93 Points	232,000
Tax Credit Fees	137	Units	\$496 /Unit	68,000
Capitalized Reserves				
Operating	\$155,499	/Month	6 Months	898,000
Transitional	136	PBV Units	\$0 /PBV Unit	0
Total Financing Costs				\$3,340,000
V. Total Development Costs	137	Units	\$312,204 /Unit	\$42,772,000

¹ Based on Appraisal and PSA.

² Applicant assumes that there will be no relocation obligations.

³ Does not include a prevailing wage premium.

⁴ Does not include impact fess.

⁵ Maximum allowable Developer Fee.

⁶ Assumes a 24-month rehabilitation period and a 58% average outstanding balance.

APPENDIX A - TABLE 2 (APPLICANT'S PROPOSAL)

STABILIZED NET OPERATING INCOME
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Project Revenue			
Manager Unit(s)	1 Units	\$0 /Month	\$0
<u>50% Median</u>			
Studio Units @ (309-Sf) ¹	136 Units	\$320 /Month	522,240
Total Potential Gross Rental Income	137 Units	\$318 /Month	\$522,240
Add: PBV Subsidy ²	136 Units	\$911 /Month	1,486,752
Add: Miscellaneous Income	137 Units	\$0 /Unit/Month	0
Total Potential Gross Income			<u>\$2,008,992</u>
(Less) Vacancy & Collection Allowance ³	5% of Potential Gross Income		<u>(100,450)</u>
Effective Gross Income			\$1,908,542
II. Operating Expenses			
General Operating Expenses	137 Units	\$7,228 /Unit	\$990,274
Property Taxes	137 Units	\$31 /Unit	4,300
Services	137 Units	NA /Unit	0
Annual Bond/Trustee Fees	137 Units	NA /Unit	0
Replacement Reserve	137 Units	\$300 /Unit	41,100
Total Operating Expenses	137 Units	\$7,560 /Unit	\$1,035,674
III. Net Operating Income			\$872,868

¹ Based on 2017 TCAC 30% AMI rent even though restricted to 50% AMI. Assumes owner pays for all utilities.

² Assumes the 2016 VASH contract rent at \$1,231.

³ Applicant will need to request a waiver from TCAC to underwrite Project with a vacancy allowance lower than 10%.

APPENDIX A - TABLE 3 (APPLICANT'S PROPOSAL)

FINANCIAL SURPLUS / (GAP) CALCULATION
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Potential Funding Sources

A. Supportable Permanent Tax-Exempt Bonds¹

Net Operating Income	\$872,868	NOI	
Income Available for Mortgage	1.051	DCR	\$830,320 Debt Service
Interest Rate / Mortgage Constant	5.25%	Int. Rate	5.99% Mort. Constant

Supportable Permanent Financing **\$13,870,000**

B. **Federal Tax Credit Equity**² **\$13,392,119** Gross Value 87.47% Synd. Rate **\$11,714,000**

C. **Seller Note**³ **\$5,188,000**

D. **Prop HHH Loan**⁴ 136 PSH Units \$88,235 /PSH Unit **\$12,000,000**

E. **Deferred Developer Fee** 0% Developer Fee **\$0**

Total Potential Funding Sources **\$42,772,000**

II. Financial Surplus / (Gap) Calculation

Total Potential Funding Sources	\$42,772,000
(Less) Total Development Costs	(42,772,000)

Financial Surplus / (Gap)	137 Units	\$0 /Unit	\$0
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III. Proposed Funding of Financial Gap by City

Land Loan	\$0
Cash Loan from LMIHAF	0
HHH Loan	12,000,000
CDBG Loan	0
HOME Loan	0

Total City Funding Sources	137 Units	\$87,600 /Unit	\$12,000,000
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¹ Applicant calculated the debt service incorrectly at \$759,016 (1.15 debt coverage ratio), which would result in a \$1,191,000 lower loan amount.

² Assumes the Project will be eligible for Acquisition Tax Credits. Tax Credit equity rate is below the HHH NOFA minimum.

³ PSA does not state Owner is willing to provide Seller's Note.

⁴ Maximum allowable HHH request.

APPENDIX B
KMA'S ANALYSIS

APPENDIX B - TABLE 1 (KMA ANALYSIS)

ESTIMATED DEVELOPMENT COSTS
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Land Assemblage Costs				
Land Acquisition Costs ¹	42,134	Sf Land Area	\$458 /Sf Land	\$19,317,000
Relocation Costs ²	137	Relocated HHs	\$5,000 /Unit	685,000
Demolition / Remediation Costs ³		Allowance		100,000
Closing Costs ⁴	1.0%	of Acquisition Costs		193,000
Total Land Assemblage Costs	137	Units	\$148,100 /Unit	\$20,295,000
II. Direct Costs ⁴				
Off-site Improvements ⁵		Allowance		\$0
On-site Improvements ⁵	42,134	Sf Land Area	\$0 /Sf Land Area	0
Rehabilitation Costs ⁵	137	Units	\$30,000 /Unit	4,110,000
Prevailing Wages	20%	Premium		822,000
Furnishings, Fixtures & Equipment	137	Units	\$2,000 /Unit	274,000
Contractor Fees / General Requirements	14%	of Construction Costs		690,000
Construction Insurance / Bonds ⁵	2%	of Construction Costs		82,000
Contingency Allowance	15%	of Other Direct Costs		897,000
Total Direct Costs	50,750	Sf GBA	\$135 /Sf GBA	\$6,875,000
III. Indirect Costs ⁴				
Architecture, Engineering & Consultants	6%	of Direct Costs		\$413,000
Permits & Fees ⁵	137	Units	\$1,368 /Unit	187,000
Taxes, Insurance, Legal & Accounting	2%	of Direct Costs		138,000
Marketing & Leasing	137	Units	\$100 /Unit	14,000
Developer Fee ⁶				1,488,000
Contingency Allowance	5%	of Other Indirect Costs		112,000
Total Indirect Costs				\$2,352,000
IV. Financing Costs ⁴				
Construction Interest ⁷	\$27,020,000	TE Bonds	5.25% Interest	\$1,657,000
Financing Fees				
Construction Loan	\$27,020,000	TE Bonds	2.00 Points	540,000
Permanent Loan	\$12,559,000	TE Bonds	2.00 Points	251,000
Issuance Costs	\$27,020,000	TE Bonds	2.00 Points	540,000
Tax Credit Fees	137	Units	\$496 /Unit	68,000
Capitalized Reserves				
Operating	\$171,895	/Month	6 Months	1,031,000
Transitional	136	PBV Units	\$0 /PBV Unit	0
Total Financing Costs				\$4,087,000
V. Total Development Costs	137	Units	\$245,321 /Unit	\$33,609,000

¹ KMA estimate. Based on revised Income Approach valuation.

² KMA estimate. Assumes that there are long-term tenants currently staying at the motel.

³ KMA estimate. Based on minimal remediation requirements noted in Phase I Report.

⁴ KMA estimate.

⁵ Applicant estimate.

⁶ KMA estimate. Assumes Property isn't eligible for Acquisition Tax Credit.

⁷ KMA estimate. Assumes a 24-month rehabilitation period and a 58% average outstanding balance.

APPENDIX B - TABLE 2 (KMA ANALYSIS)

STABILIZED NET OPERATING INCOME
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Project Revenue			
Manager Unit(s)	1 Units	\$0 /Month	\$0
<u>50% Median</u>			
Studio Units @ (309-Sf) ¹	136 Units	\$788 /Month	1,286,016
Total Potential Gross Rental Income	137 Units	\$782 /Month	\$1,286,016
Add: PBV Subsidy ²	136 Units	\$708 /Month	1,155,456
Add: Miscellaneous Income ³	137 Units	\$12 /Unit/Month	19,728
Total Potential Gross Income			<u>\$2,461,200</u>
(Less) Vacancy & Collection Allowance ⁴	10% of Potential Gross Income		<u>(246,120)</u>
Effective Gross Income			\$2,215,080
II. Operating Expenses ³			
General Operating Expenses ⁵	137 Units	\$7,228 /Unit	\$990,274
Property Taxes ⁵	137 Units	\$31 /Unit	4,300
Services	137 Units	\$73 /Unit	10,000
Annual Bond/Trustee Fees	137 Units	\$11 /Unit	1,500
Replacement Reserve ⁵	137 Units	\$300 /Unit	41,100
Total Operating Expenses	137 Units	\$7,640 /Unit	\$1,047,174
III. Net Operating Income			\$1,167,906

¹ Based on 2017 TCAC 50% AMI rent. Assumes owner pays for all utilities.

² Assumes the 2017 VASH contract rent at \$1,469.

³ KMA estimate.

³ KMA estimate. Based on TCAC requirement for special needs requirements.

³ Applicant estimate.

APPENDIX B - TABLE 3 (KMA ANALYSIS)

FINANCIAL SURPLUS / (GAP) CALCULATION
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

I. Potential Funding Sources

A. Supportable Permanent Tax-Exempt Bonds ¹

Net Operating Income	\$1,167,906	NOI		
Income Available for Mortgage	1.150	DCR	\$1,015,571	Debt Service
Interest Rate / Mortgage Constant	5.25%	Int. Rate		8.09% Mort. Constant

Supportable Permanent Financing **\$12,559,000**

B. **Federal Tax Credit Equity** ² \$4,820,725 Gross Value 94.99% Synd. Rate **\$4,579,000**

C. **Seller Note** ³ **\$0**

C. **Prop HHH Loan** ⁴ 136 PSH Units \$88,235 /PSH Unit **\$12,000,000**

D. **Deferred Developer Fee** ⁴ 0% Developer Fee **\$0**

Total Potential Funding Sources **\$29,138,000**

II. Financial Surplus / (Gap) Calculation

Total Potential Funding Sources	\$29,138,000
(Less) Total Development Costs	(33,609,000)

Financial Surplus / (Gap)	137 Units	(\$32,600) /Unit	(\$4,471,000)
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III. Proposed Funding of Financial Gap by City

Land Loan	\$0
Cash Loan from LMIHAF	0
HHH Loan	12,000,000
CDBG Loan	0
HOME Loan	0

Total City Funding Sources	137 Units	\$87,600 /Unit	\$12,000,000
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¹ KMA estimate. Assumes a 20 year term to match VACH contract.

² KMA estimate. Assumes Project is not eligible for Acquisition Tax Credits.

³ KMA estimate. Assumes with decrease in Purchase Price, seller will not be willing to provide a note.

⁴ Applicant estimate.

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

		<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>
I. Potential Gross Income										
Gross Residential Income - Base Rents	102.5% /Year	\$1,286,016	\$1,318,166	\$1,351,121	\$1,384,899	\$1,419,521	\$1,455,009	\$1,491,384	\$1,528,669	
PBV Subsidy	102.5% /Year	1,155,456	1,184,342	1,213,951	1,244,300	1,275,407	1,307,292	1,339,975	1,373,474	
Miscellaneous Income	102.5% /Year	<u>19,728</u>	<u>20,221</u>	<u>20,727</u>	<u>21,245</u>	<u>21,776</u>	<u>22,320</u>	<u>22,878</u>	<u>23,450</u>	
Total Potential Gross Income		\$2,461,200	\$2,522,730	\$2,585,798	\$2,650,443	\$2,716,704	\$2,784,622	\$2,854,237	\$2,925,593	
(Less) Vacancy & Collection Allowance	10.0% of PGI	<u>(246,120)</u>	<u>(252,273)</u>	<u>(258,580)</u>	<u>(265,044)</u>	<u>(271,670)</u>	<u>(278,462)</u>	<u>(285,424)</u>	<u>(292,559)</u>	
Effective Gross Income		\$2,215,080	\$2,270,457	\$2,327,218	\$2,385,399	\$2,445,034	\$2,506,160	\$2,568,814	\$2,633,034	
II. Operating Expenses										
General Operating Expenses	103.5% /Year	\$990,274	\$1,024,934	\$1,060,806	\$1,097,934	\$1,136,362	\$1,176,135	\$1,217,300	\$1,259,905	
Property Taxes	102.0% /Year	4,300	4,386	4,474	4,563	4,654	4,748	4,842	4,939	
Social Services	103.5% /Year	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	
Replacement Reserves	103.0% /Year	<u>41,100</u>	<u>42,333</u>	<u>43,603</u>	<u>44,911</u>	<u>46,258</u>	<u>47,646</u>	<u>49,076</u>	<u>50,548</u>	
Total Operating Expenses		\$1,045,674	\$1,082,003	\$1,119,595	\$1,158,496	\$1,198,750	\$1,240,405	\$1,283,510	\$1,328,115	
III. Net Operating Income		\$1,169,406	\$1,188,454	\$1,207,623	\$1,226,903	\$1,246,284	\$1,265,754	\$1,285,304	\$1,304,919	
(Less) Annual Debt Service		<u>(1,015,571)</u>								
IV. Available Cash Flow		\$153,835	\$172,884	\$192,052	\$211,332	\$230,713	\$250,183	\$269,733	\$289,348	
V. Contingent Payments										
LP Asset Management Fee		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
GP Asset Management Fee		25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	
Deferred Developer Fee		<u>0</u>								
Total Contingent Payments		\$25,000	\$25,875	\$26,781	\$27,718	\$28,688	\$29,692	\$30,731	\$31,807	
VI. Residual Receipts		\$128,835	\$147,009	\$165,272	\$183,614	\$202,025	\$220,491	\$239,001	\$257,541	
HHH Loan	50% of RR	64,418	73,504	82,636	91,807	101,012	110,246	119,501	128,771	
	\$4,967,000 NPV @ 6.0%									
Developer	50% of RR	64,418	73,504	82,636	91,807	101,012	110,246	119,501	128,771	
	\$5,531,000 NPV @ 6.0%									

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>
I. <u>Potential Gross Income</u>											
Gross Residential Income - Base Rents	\$1,566,886	\$1,606,058	\$1,646,209	\$1,687,364	\$1,729,549	\$1,772,787	\$1,817,107	\$1,862,535	\$1,909,098	\$1,956,825	\$2,005,746
PBV Subsidy	1,407,811	1,443,006	1,479,081	1,516,058	1,553,960	1,592,809	1,632,629	1,673,445	1,715,281	1,758,163	1,802,117
Miscellaneous Income	<u>24,037</u>	<u>24,638</u>	<u>25,254</u>	<u>25,885</u>	<u>26,532</u>	<u>27,195</u>	<u>27,875</u>	<u>28,572</u>	<u>29,286</u>	<u>30,018</u>	<u>30,769</u>
Total Potential Gross Income	\$2,998,733	\$3,073,702	\$3,150,544	\$3,229,308	\$3,310,040	\$3,392,791	\$3,477,611	\$3,564,551	\$3,653,665	\$3,745,007	\$3,838,632
(Less) Vacancy & Collection Allowance	<u>(299,873)</u>	<u>(307,370)</u>	<u>(315,054)</u>	<u>(322,931)</u>	<u>(331,004)</u>	<u>(339,279)</u>	<u>(347,761)</u>	<u>(356,455)</u>	<u>(365,367)</u>	<u>(374,501)</u>	<u>(383,863)</u>
Effective Gross Income	\$2,698,860	\$2,766,331	\$2,835,490	\$2,906,377	\$2,979,036	\$3,053,512	\$3,129,850	\$3,208,096	\$3,288,299	\$3,370,506	\$3,454,769
II. <u>Operating Expenses</u>											
General Operating Expenses	\$1,304,002	\$1,349,642	\$1,396,879	\$1,445,770	\$1,496,372	\$1,548,745	\$1,602,951	\$1,659,054	\$1,717,121	\$1,777,221	\$1,839,423
Property Taxes	5,038	5,139	5,242	5,347	5,453	5,563	5,674	5,787	5,903	6,021	6,141
Social Services	13,168	13,629	14,106	14,600	15,111	15,640	16,187	16,753	17,340	17,947	18,575
Replacement Reserves	<u>52,064</u>	<u>53,626</u>	<u>55,235</u>	<u>56,892</u>	<u>58,599</u>	<u>60,357</u>	<u>62,167</u>	<u>64,032</u>	<u>65,953</u>	<u>67,932</u>	<u>69,970</u>
Total Operating Expenses	\$1,374,272	\$1,422,036	\$1,471,462	\$1,522,608	\$1,575,535	\$1,630,304	\$1,686,979	\$1,745,628	\$1,806,318	\$1,869,120	\$1,934,110
III. <u>Net Operating Income</u>	\$1,324,588	\$1,344,296	\$1,364,028	\$1,383,769	\$1,403,501	\$1,423,208	\$1,442,871	\$1,462,469	\$1,481,981	\$1,501,386	\$1,520,659
(Less) Annual Debt Service	<u>(1,015,571)</u>										
IV. <u>Available Cash Flow</u>	\$309,017	\$328,725	\$348,457	\$368,198	\$387,931	\$407,638	\$427,300	\$446,898	\$466,410	\$485,815	\$505,088
V. <u>Contingent Payments</u>											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884	43,350	44,867	46,437
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$32,920	\$34,072	\$35,265	\$36,499	\$37,777	\$39,099	\$40,467	\$41,884	\$43,350	\$44,867	\$46,437
VI. <u>Residual Receipts</u>	\$276,097	\$294,652	\$313,192	\$331,699	\$350,154	\$368,539	\$386,833	\$405,014	\$423,061	\$440,948	\$458,651
HHH Loan	138,048	147,326	156,596	165,849	175,077	184,269	193,416	202,507	211,530	220,474	229,326
Developer	138,048	147,326	156,596	165,849	175,077	184,269	193,416	202,507	211,530	220,474	229,326

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>	<u>Year 24</u>	<u>Year 25</u>	<u>Year 26</u>	<u>Year 27</u>	<u>Year 28</u>	<u>Year 29</u>	<u>Year 30</u>
I. <u>Potential Gross Income</u>											
Gross Residential Income - Base Rents	\$2,055,890	\$2,107,287	\$2,159,969	\$2,213,968	\$2,269,318	\$2,326,051	\$2,384,202	\$2,443,807	\$2,504,902	\$2,567,525	\$2,631,713
PBV Subsidy	1,847,170	1,893,349	1,940,683	1,989,200	2,038,930	2,089,903	2,142,151	2,195,705	2,250,597	2,306,862	2,364,534
Miscellaneous Income	<u>31,538</u>	<u>32,327</u>	<u>33,135</u>	<u>33,963</u>	<u>34,812</u>	<u>35,683</u>	<u>36,575</u>	<u>37,489</u>	<u>38,426</u>	<u>39,387</u>	<u>40,372</u>
Total Potential Gross Income	\$3,934,598	\$4,032,963	\$4,133,787	\$4,237,132	\$4,343,060	\$4,451,636	\$4,562,927	\$4,677,000	\$4,793,925	\$4,913,774	\$5,036,618
(Less) Vacancy & Collection Allowance	<u>(393,460)</u>	<u>(403,296)</u>	<u>(413,379)</u>	<u>(423,713)</u>	<u>(434,306)</u>	<u>(445,164)</u>	<u>(456,293)</u>	<u>(467,700)</u>	<u>(479,393)</u>	<u>(491,377)</u>	<u>(503,662)</u>
Effective Gross Income	\$3,541,138	\$3,629,667	\$3,720,408	\$3,813,418	\$3,908,754	\$4,006,473	\$4,106,634	\$4,209,300	\$4,314,533	\$4,422,396	\$4,532,956
II. <u>Operating Expenses</u>											
General Operating Expenses	\$1,903,803	\$1,970,436	\$2,039,401	\$2,110,780	\$2,184,658	\$2,261,121	\$2,340,260	\$2,422,169	\$2,506,945	\$2,594,688	\$2,685,502
Property Taxes	6,264	6,390	6,517	6,648	6,781	6,916	7,055	7,196	7,340	7,486	7,636
Social Services	19,225	19,898	20,594	21,315	22,061	22,833	23,632	24,460	25,316	26,202	27,119
Replacement Reserves	<u>72,069</u>	<u>74,231</u>	<u>76,458</u>	<u>78,752</u>	<u>81,114</u>	<u>83,548</u>	<u>86,054</u>	<u>88,636</u>	<u>91,295</u>	<u>94,034</u>	<u>96,855</u>
Total Operating Expenses	\$2,001,361	\$2,070,955	\$2,142,971	\$2,217,495	\$2,294,614	\$2,374,418	\$2,457,001	\$2,542,460	\$2,630,895	\$2,722,410	\$2,817,112
III. <u>Net Operating Income</u>	\$1,539,777	\$1,558,712	\$1,577,437	\$1,595,923	\$1,614,140	\$1,632,054	\$1,649,633	\$1,666,840	\$1,683,638	\$1,699,986	\$1,715,844
(Less) Annual Debt Service	<u>(1,015,571)</u>										
IV. <u>Available Cash Flow</u>	\$524,206	\$1,558,712	\$1,577,437	\$1,595,923	\$1,614,140	\$1,632,054	\$1,649,633	\$1,666,840	\$1,683,638	\$1,699,986	\$1,715,844
V. <u>Contingent Payments</u>											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	48,063	49,745	51,486	53,288	55,153	57,083	59,081	61,149	63,289	65,504	67,797
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$48,063	\$49,745	\$51,486	\$53,288	\$55,153	\$57,083	\$59,081	\$61,149	\$63,289	\$65,504	\$67,797
VI. <u>Residual Receipts</u>	\$476,143	\$1,508,967	\$1,525,951	\$1,542,635	\$1,558,987	\$1,574,971	\$1,590,552	\$1,605,691	\$1,620,348	\$1,634,482	\$1,648,047
HHH Loan	238,072	754,483	762,976	771,318	779,493	787,486	795,276	802,846	810,174	817,241	824,024
Developer	238,072	754,483	762,976	771,318	779,493	787,486	795,276	802,846	810,174	817,241	824,024

APPENDIX B - TABLE 4 (KMA ANALYSIS)

CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
 4314 ADAMS
 LOS ANGELES, CALIFORNIA

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41
I. Potential Gross Income											
Gross Residential Income - Base Rents	\$2,697,505	\$2,764,943	\$2,834,067	\$2,904,918	\$2,977,541	\$3,051,980	\$3,128,279	\$3,206,486	\$3,286,648	\$3,368,815	\$3,453,035
PBV Subsidy	2,423,647	2,484,238	2,546,344	2,610,003	2,675,253	2,742,134	2,810,688	2,880,955	2,952,979	3,026,803	3,102,473
Miscellaneous Income	41,381	42,415	43,476	44,563	45,677	46,819	47,989	49,189	50,419	51,679	52,971
Total Potential Gross Income	\$5,162,533	\$5,291,597	\$5,423,887	\$5,559,484	\$5,698,471	\$5,840,933	\$5,986,956	\$6,136,630	\$6,290,046	\$6,447,297	\$6,608,479
(Less) Vacancy & Collection Allowance	(516,253)	(529,160)	(542,389)	(555,948)	(569,847)	(584,093)	(598,696)	(613,663)	(629,005)	(644,730)	(660,848)
Effective Gross Income	\$4,646,280	\$4,762,437	\$4,881,498	\$5,003,535	\$5,128,624	\$5,256,839	\$5,388,260	\$5,522,967	\$5,661,041	\$5,802,567	\$5,947,631
II. Operating Expenses											
General Operating Expenses	\$2,779,495	\$2,876,777	\$2,977,464	\$3,081,676	\$3,189,534	\$3,301,168	\$3,416,709	\$3,536,294	\$3,660,064	\$3,788,166	\$3,920,752
Property Taxes	7,789	7,945	8,104	8,266	8,431	8,600	8,772	8,947	9,126	9,308	9,495
Social Services	28,068	29,050	30,067	31,119	32,209	33,336	34,503	35,710	36,960	38,254	39,593
Replacement Reserves	99,760	102,753	105,836	109,011	112,281	115,650	119,119	122,693	126,374	130,165	134,070
Total Operating Expenses	\$2,915,112	\$3,016,525	\$3,121,471	\$3,230,072	\$3,342,455	\$3,458,753	\$3,579,102	\$3,703,644	\$3,832,524	\$3,965,893	\$4,103,909
III. Net Operating Income	\$1,731,168	\$1,745,912	\$1,760,027	\$1,773,464	\$1,786,169	\$1,798,086	\$1,809,158	\$1,819,323	\$1,828,517	\$1,836,674	\$1,843,722
(Less) Annual Debt Service											
IV. Available Cash Flow	\$1,731,168	\$1,745,912	\$1,760,027	\$1,773,464	\$1,786,169	\$1,798,086	\$1,809,158	\$1,819,323	\$1,828,517	\$1,836,674	\$1,843,722
V. Contingent Payments											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	70,170	72,626	75,168	77,799	80,522	83,340	86,257	89,276	92,400	95,634	98,981
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0
Total Contingent Payments	\$70,170	\$72,626	\$75,168	\$77,799	\$80,522	\$83,340	\$86,257	\$89,276	\$92,400	\$95,634	\$98,981
VI. Residual Receipts	\$1,660,998	\$1,673,286	\$1,684,859	\$1,695,665	\$1,705,647	\$1,714,746	\$1,722,901	\$1,730,048	\$1,736,117	\$1,741,040	\$1,744,741
HHH Loan	830,499	836,643	842,430	847,833	852,824	857,373	861,451	865,024	868,059	870,520	872,370
Developer	830,499	836,643	842,430	847,833	852,824	857,373	861,451	865,024	868,059	870,520	872,370

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 42</u>	<u>Year 43</u>	<u>Year 44</u>	<u>Year 45</u>	<u>Year 46</u>	<u>Year 47</u>	<u>Year 48</u>	<u>Year 49</u>	<u>Year 50</u>	<u>Year 51</u>	<u>Year 52</u>
I. <u>Potential Gross Income</u>											
Gross Residential Income - Base Rents	\$3,539,361	\$3,627,845	\$3,718,541	\$3,811,505	\$3,906,792	\$4,004,462	\$4,104,574	\$4,207,188	\$4,312,368	\$4,420,177	\$4,530,681
PBV Subsidy	3,180,035	3,259,536	3,341,024	3,424,550	3,510,164	3,597,918	3,687,866	3,780,062	3,874,564	3,971,428	4,070,714
Miscellaneous Income	<u>54,295</u>	<u>55,653</u>	<u>57,044</u>	<u>58,470</u>	<u>59,932</u>	<u>61,430</u>	<u>62,966</u>	<u>64,540</u>	<u>66,153</u>	<u>67,807</u>	<u>69,502</u>
Total Potential Gross Income	\$6,773,691	\$6,943,033	\$7,116,609	\$7,294,524	\$7,476,888	\$7,663,810	\$7,855,405	\$8,051,790	\$8,253,085	\$8,459,412	\$8,670,897
(Less) Vacancy & Collection Allowance	<u>(677,369)</u>	<u>(694,303)</u>	<u>(711,661)</u>	<u>(729,452)</u>	<u>(747,689)</u>	<u>(766,381)</u>	<u>(785,540)</u>	<u>(805,179)</u>	<u>(825,308)</u>	<u>(845,941)</u>	<u>(867,090)</u>
Effective Gross Income	\$6,096,322	\$6,248,730	\$6,404,948	\$6,565,072	\$6,729,199	\$6,897,429	\$7,069,864	\$7,246,611	\$7,427,776	\$7,613,471	\$7,803,808
II. <u>Operating Expenses</u>											
General Operating Expenses	\$4,057,978	\$4,200,008	\$4,347,008	\$4,499,153	\$4,656,623	\$4,819,605	\$4,988,291	\$5,162,882	\$5,343,582	\$5,530,608	\$5,724,179
Property Taxes	9,684	9,878	10,076	10,277	10,483	10,692	10,906	11,124	11,347	11,574	11,805
Social Services	40,978	42,413	43,897	45,433	47,024	48,669	50,373	52,136	53,961	55,849	57,804
Replacement Reserves	<u>138,092</u>	<u>142,235</u>	<u>146,502</u>	<u>150,897</u>	<u>155,424</u>	<u>160,086</u>	<u>164,889</u>	<u>169,836</u>	<u>174,931</u>	<u>180,179</u>	<u>185,584</u>
Total Operating Expenses	\$4,246,733	\$4,394,533	\$4,547,482	\$4,705,760	\$4,869,553	\$5,039,053	\$5,214,459	\$5,395,977	\$5,583,821	\$5,778,209	\$5,979,372
III. <u>Net Operating Income</u>	\$1,849,589	\$1,854,197	\$1,857,466	\$1,859,312	\$1,859,645	\$1,858,375	\$1,855,405	\$1,850,634	\$1,843,956	\$1,835,261	\$1,824,435
(Less) Annual Debt Service											
IV. <u>Available Cash Flow</u>	\$1,849,589	\$1,854,197	\$1,857,466	\$1,859,312	\$1,859,645	\$1,858,375	\$1,855,405	\$1,850,634	\$1,843,956	\$1,835,261	\$1,824,435
V. <u>Contingent Payments</u>											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	102,446	106,031	109,743	113,584	117,559	121,674	125,932	130,340	134,902	139,623	144,510
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$102,446	\$106,031	\$109,743	\$113,584	\$117,559	\$121,674	\$125,932	\$130,340	\$134,902	\$139,623	\$144,510
VI. <u>Residual Receipts</u>	\$1,747,143	\$1,748,166	\$1,747,724	\$1,745,728	\$1,742,086	\$1,736,702	\$1,729,473	\$1,720,294	\$1,709,054	\$1,695,638	\$1,679,925
HHH Loan	873,572	874,083	873,862	872,864	871,043	868,351	864,736	68,184	0	0	0
Developer	873,572	874,083	873,862	872,864	871,043	868,351	864,736	1,652,110	1,709,054	1,695,638	1,679,925

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 53</u>	<u>Year 54</u>	<u>Year 55</u>
I. <u>Potential Gross Income</u>			
Gross Residential Income - Base Rents	\$4,643,948	\$4,760,047	\$4,879,048
PBV Subsidy	4,172,481	4,276,793	4,383,713
Miscellaneous Income	<u>71,240</u>	<u>73,021</u>	<u>74,847</u>
Total Potential Gross Income	\$8,887,670	\$9,109,861	\$9,337,608
(Less) Vacancy & Collection Allowance	<u>(888,767)</u>	<u>(910,986)</u>	<u>(933,761)</u>
Effective Gross Income	\$7,998,903	\$8,198,875	\$8,403,847
II. <u>Operating Expenses</u>			
General Operating Expenses	\$5,924,525	\$6,131,884	\$6,346,500
Property Taxes	12,041	12,282	12,528
Social Services	59,827	61,921	64,088
Replacement Reserves	<u>191,151</u>	<u>196,886</u>	<u>202,793</u>
Total Operating Expenses	\$6,187,545	\$6,402,973	\$6,625,908
III. <u>Net Operating Income</u>	\$1,811,357	\$1,795,902	\$1,777,939
(Less) Annual Debt Service			
IV. <u>Available Cash Flow</u>	\$1,811,357	\$1,795,902	\$1,777,939
V. <u>Contingent Payments</u>			
LP Asset Management Fee	\$0	\$0	\$0
GP Asset Management Fee	149,568	154,803	160,221
Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>
Total Contingent Payments	\$149,568	\$154,803	\$160,221
VI. <u>Residual Receipts</u>	\$1,661,790	\$1,641,100	\$1,617,718
HHH Loan	0	0	0
Developer	1,661,790	1,641,100	1,617,718

**APPENDIX C
COMPARISON ANALYSIS**

APPENDIX C - TABLE 1 (COMPARISON ANALYSIS)

ESTIMATED DEVELOPMENT COSTS
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

	Developer	KMA	Difference
I. <u>Assemblage Costs</u>			
Purchase Price	\$30,000,000	\$19,317,000	\$10,683,000
Relocation Costs	0	685,000	(685,000)
Remediation Costs	0	100,000	(100,000)
Closing Costs	0	193,000	(193,000)
Total Assemblage Costs	\$30,000,000	\$20,295,000	\$9,705,000
II. <u>Direct Costs</u>			
Onsite Costs	\$0	\$0	\$0
Rehabilitation Costs	4,110,000	4,110,000	0
Prevailing Wages		822,000	(822,000)
FF&E	274,000	274,000	0
Contractor Fees	575,000	690,000	(115,000)
Insurance	68,000	82,000	(14,000)
Contingency Allowance	703,000	897,000	(194,000)
Total Direct Costs	\$5,730,000	\$6,875,000	(\$1,145,000)
III. <u>Indirect Costs</u>			
Architecture, Engineering & Consulting	\$287,000	\$413,000	(\$126,000)
Permits & Fees	187,000	187,000	0
Taxes, Insurance, Legal & Accounting	175,000	138,000	37,000
Marketing & Leasing	10,000	14,000	(4,000)
Developer Fee	2,500,000	1,488,000	1,012,000
Contingency Allowance	543,000	112,000	431,000
Total Indirect Costs	\$3,702,000	\$2,352,000	\$1,350,000
IV. <u>Financing Costs</u>			
Interest During Construction	\$1,533,000	\$1,657,000	(\$124,000)
Financing Costs			
Construction Loan	470,000	540,000	(70,000)
Permanent Loan	139,000	251,000	(112,000)
Bond Issuance Costs	232,000	540,000	(308,000)
Tax Credit Fees	68,000	68,000	0
Operating Reserves	898,000	1,031,000	(133,000)
Total Financing Costs	\$3,340,000	\$4,087,000	(\$747,000)
V. <u>Total Development Costs</u>	\$42,772,000	\$33,609,000	\$9,163,000
Construction Loan	\$25,000,000	\$27,020,000	(\$2,020,000)
Permanent Loan	\$13,870,000	\$12,559,000	\$1,311,000
Eligible Basis	\$8,155,387	\$11,410,000	\$7,707,000
Acquisition Basis	\$30,604,000	0	\$16,161,000

APPENDIX C - TABLE 2 (COMPARISON ANALYSIS)

STABILIZED NET OPERATING INCOME
WEST THIRD APARTMENTS
LOS ANGELES, CALIFORNIA

	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
I. <u>Projected Gross Income</u>			
Manager's Unit	\$0	\$0	\$0
50% AMI Rent	522,240	1,286,016	(763,776)
VASH Voucher Overhang	1,486,752	1,155,456	331,296
Miscellaneous Income	0	19,728	(19,728)
	<u>\$2,008,992</u>	<u>\$2,461,200</u>	<u>(\$452,208)</u>
(Less) Vacancy & Collection Allowance	(100,450)	(246,120)	145,670
	<u>\$1,908,542</u>	<u>\$2,215,080</u>	<u>(\$306,538)</u>
<u>Operating Expenses</u>			
General Operating Expenses	\$990,274	\$990,274	\$0
Property Taxes	4,300	4,300	0
Social Services	0	10,000	(10,000)
Issuer/Bond Fees	0	1,500	(1,500)
Replacement Reserves	41,100	41,100	0
	<u>\$1,035,674</u>	<u>\$1,047,174</u>	<u>(\$11,500)</u>
Net Operating Income	\$872,868	\$1,167,906	(\$295,038)

APPENDIX C - TABLE 3 (COMPARISON ANALYSIS)

FINANCIAL GAP ANALYSIS
 WEST THIRD APARTMENTS
 LOS ANGELES, CALIFORNIA

	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
I. <u>Potential Funding Sources</u>			
A. Permanent Loan	\$13,870,000	\$12,559,000	\$1,311,000
B. Tax Credit Equity	11,714,000	4,579,000	7,135,000
C. Seller's Note	5,188,000	0	5,188,000
D. HHH Loan	12,000,000	12,000,000	0
E. Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000
II. <u>Financial Surplus / (Gap) Calculation</u>			
Total Potential Funding Sources	\$42,772,000	\$29,138,000	\$13,634,000
(Less) Estimated Development Costs	(42,772,000)	(33,609,000)	(9,163,000)
Financial Surplus / (Gap)	\$0	(\$4,471,000)	\$4,471,000



KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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Redevelopment
Affordable Housing
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To: Tim Elliott, Manager
City of Los Angeles

From: Julie Romey

Date: January 10, 2018

Subject: Financial Review – 5501 S. Western Avenue HHH Application

At the request of the Housing and Community Investment Department (HCID) of the City of Los Angeles, Keyser Marston Associates, Inc. (KMA) reviewed the HHH NOFA response from Western Avenue Apartments Preservation, LP (Applicant) and prepared a financial gap analysis. The following summarizes the proposal:

1. The Applicant will acquire a 34-room motel located in the South LA area at 5501 S. Western Avenue (Property) and convert the Property into a permanent supportive housing project for homeless veterans (Project).
2. The Applicant requests that the Project receive \$6,787,742 in HHH funds.

KMA reviewed the NOFA Detail Report, TCAC Application and Appraisal as well as other related documents submitted with the Applicant’s proposal. KMA then prepared a financial analysis of the proposal to determine the financial feasibility of the proposed Project. The detailed KMA analysis is located at the end of this memorandum and is organized as follows:

Appendix A – Applicant’s Proposal	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis

Appendix B – KMA’s Analysis	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis
Table 4	Cash Flow Analysis

Appendix C – Comparison Analysis	
Table 1	Estimated Development Costs
Table 2	Stabilized Net Operating Income
Table 3	Financial Gap Analysis

EXECUTIVE SUMMARY

After a detailed review of the HHH application provided by the Applicant, KMA has identified several serious issues with the information provided and pro forma assumptions, as follows:

1. Due to conflicting information provided in the Application documents, it is not clear who the current owner of the Property is at this time.
2. Based on questionable assumptions in the Appraisal, the value of the Property may be approximately \$1,389,000 lower than the proposed Purchase Price.
3. The Applicant’s assumption that there will be no relocation or remediation costs associated with the Project appear to be unreasonable and understates the development costs by approximately \$270,000.
4. The HHH Regulations specifically state that all projects utilizing HHH funds will be required to pay State prevailing wages and possibly enter into a project labor agreement. KMA estimates the Applicant has under estimated the construction costs by approximately \$342,000.
5. Assuming a Tax Credit equity rate below the HHH regulations minimum, KMA estimates that the Applicant has understated the potential Tax Credit equity that could be generated by the Project to be \$390,000
6. KMA identified the following missing or incomplete items from the Applicant’s submittal:
 - a. Preliminary Title Report;

- b. An executed Purchase and Sale Agreement;
- c. An As-Is Appraisal; and
- d. A Relocation analysis.

The following is a comparison of the Applicant and KMA assumptions:

Estimated Development Costs	Applicant	KMA	Differences
Property Assemblage Costs	\$6,800,000	\$6,250,000	\$550,000
Rehabilitation Costs	1,705,000	2,047,000	(342,000)
Indirect/Financing Costs	3,499,000	3,107,000	392,000
Total Development Costs	\$12,004,000	\$11,404,000	\$600,000
Per Unit	\$363,760	\$345,150	\$18,180

Stabilized Net Operating Income	Applicant	KMA	Difference
Tenant Portion + VASH Subsidy	\$472,704	\$574,464	(\$101,760)
Miscellaneous Income	1,711	4,752	(3,041)
Gross Income	\$474,416	\$579,216	(\$104,801)
(Less) Vacancy & Collection Allowance	(23,721)	(57,922)	34,201
Effective Gross Income	\$450,694	\$521,294	(\$70,600)
(Less) General Operating Expenses	(292,900)	(292,900)	0
(Less) Property Taxes	(4,300)	(4,300)	0
(Less) Social Services Coordination	(0)	(10,000)	(10,000)
(Less) Issuer / Bond Fees	(0)	(1,500)	(1,500)
(Less) Replacement Reserves	(9,900)	(9,900)	0
Net Operating Income	\$143,594	\$202,694	(\$59,100)

Potential Funding Sources	Applicant	KMA	Difference
Permanent Loan/TEB	\$2,086,000	\$2,180,000	(\$94,000)
Tax Credit Equity	3,130,000	3,520,000	(390,000)
HHH Loan	6,788,000	6,788,000	0
Deferred Developer Fee	0	0	0
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)

Financial Surplus / (Gap) Calculation	Applicant	KMA	Difference
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)
(Less) Total Development Costs	(12,004,000)	(11,404,000)	(600,000)
Financial Surplus / (Gap)	\$0	\$1,084,000	(\$1,084,000)

The result of the above-mentioned issues causes KMA to conclude that the Project doesn't require \$6,787,742 in HHH funds to be feasible. However, the Applicant did not provide several threshold application items. Instead, KMA estimates that the Project only needs approximately \$5,189,000, or \$157,240 per HHH unit. In addition, the Applicant did not provide several threshold application items.

SUMMARY OF FINANCIAL PROPOSAL

The following summarizes the Applicant's proposal as well as the issues identified by KMA.

Project Description

It should be noted that the application documents are not consistent in the details about the proposed Project description.

Existing Use

The current use of the Property is a functioning 34 room motel in two separate two-story buildings. The Property is known as the Bronco Motel with a starting room rate of \$89 per night. The motel currently advertises on several hotel booking websites.

Current Ownership

According to the Appraisal and the Zimas Report, the Property was last sold on August 1, 2002 to Vaidehi, Inc. (Current Owner). However, the TCAC Application calls out Maple Park Housing Corporation as the current seller of the Property while the NOFA Detail Report lists Pacific Rim Housing Corporation as the seller. The Applicant did not provide a Preliminary Title Report or executed Purchase and Sale Agreement (PSA), which would provide clarity on the ownership issue.

Site Control

The Applicant states that they are in escrow with Pacific Rim Housing Corporation to purchase the property for \$6,800,000 as of December 21, 2017, which will expire by December 31, 2018. However, the Applicant did not provide a PSA.

Relocation

The Applicant presented the proposed Project as not requiring any households to be relocated. However, the Property is in use and has also been referred to as a long-term

residential hotel. The Applicant will be required to follow the City’s Relocation requirements for households that are not transient.

Environmental Condition

The Applicant provided a Phase I report that found no areas of concern for the current operations as a motel but will need to adhere to various disposal requirements regarding lead-based paint and asbestos during the rehabilitation. The consultant also found no need for further investigation. A Soils Report was not provided since the Property is pre-existing.

Scope of Development

The proposed Project is in one two-story building over a subterranean parking structure. The building doesn’t include an elevator or any amenities. The Applicant proposes to rehabilitate the Property so that the Project includes the following:

Proposed Project Description	
Land Area	20,187 Square Feet, 0.46 Acres
Unit Mix	33 Studio Units, 71 Units/Acre
Gross Building Area	10,900 Square Feet, 0.54 FAR
Parking Spaces	31 Spaces, 0.94 Spaces/Unit
Amenities	1,000 Square Foot Community Space, including community/service rooms, communal kitchen, laundry room and counseling office.
Targeted Population	Chronically homeless veterans Homeless veterans
Manager’s Unit	1 Studio Unit

The existing zoning (C2) allows for a residential conversion; however, KMA is uncertain about any parking requirement changes. The Applicant did not provide a detailed scope of rehabilitation for the Project other than the following:

1. New mechanical, engineering and plumbing for each unit.
2. New kitchens, bathrooms for each unit.
3. New common areas that will include counseling areas able to accommodate a counselor for every 16 residents, or two counselors.

4. The design of the building will remain as is, but will be renovated and modernized.
5. All the surrounding landscaping and parking will be improved as well.

Project Timeline

Estimated Timeline	
Site Acquired	May 2018
Local Permits Completed	N/A
Construction Loan Closing/Disbursed	May 2018
Construction Start	June 2018
HHH Loan Closing/Disbursed	July 2018
Construction Completion	February 2019
Permanent Loan Closing/Disbursed	February 2019
Placed In Service	February 2019
Permanent Loan Closing	February 2019

It should be noted that the Applicant plans on receiving the requested HHH funds in July 2018. However, HCID will not have the funds available for disbursement until September 2018.

Summary of Borrower

<i>Managing General Partner</i>	Figuroa Economical Housing Development Corporation
<i>Co-General Partner</i>	Veterans Housing Partnership (VHP, LLC)
<i>Administrative General Partner</i>	Step Up on Second, Inc.
<i>Limited Partner</i>	Undetermined

Summary of Development Team

<i>Developer</i>	Figuroa Economic Housing Development Corporation
<i>Property Manager</i>	Step Up on Second, Inc.
<i>Architect</i>	Sejal Sonani (Individual)
<i>General Contractor</i>	Webcor Builders / Shangri-la Construction
<i>Consultant</i>	Blue Green Preservation and Development, LLC
<i>CASp</i>	Chad Frisby (Individual)
<i>Supportive Services</i>	Step Up on Second, Inc.

Project Description Issues Identified by KMA

The following summarizes the issues identified by KMA regarding the Project Description.

1. Application documents are not consistent about the proposed Project Description.
2. The proposed Project doesn't include any amenities other than a 1,000-square foot community room.
3. The current Property owner has not been sufficiently identified.
4. A PSA or Preliminary Title Report were not provided.
5. A detailed rehabilitation plan/description was not provided.

Estimated Development Costs (Appendix A – Table 1)

The Applicant estimates the development costs to total as follows:

	Totals	\$/Unit
Property Assemblage Costs	\$6,800,000	\$206,000
Rehabilitation Costs	1,750,000	\$51,670
Indirect/Financing Costs	3,449,000	\$106,030
Total Development Costs	\$12,004,000	\$363,760

The following summarizes the issues KMA identified with the estimated development cost:

Purchase Price / Appraisal

KMA reviewed the appraisal provided by the Applicant, dated November 7, 2017 and prepared by James G. Palmer Appraisals, Inc. (Appraiser) that sets the market price of the Property at \$6,800,000. KMA identified the following issues with the appraisal:

- The appraisal is a highest and best use market rate appraisal instead of an "As-Is" appraisal as required by TCAC and the HHH NOFA.
- The Appraisal states that the Property has rooms with kitchens. However, none of the documents provided by the Applicant indicate this is so. The Appraisal

also states the Property includes an elevator but the Site Plan, attached to the Appraisal, clearly shows the Property does not include an elevator.

- The Appraisal uses rental and sale comparables from north of the 10 freeway.
- There is no clear analysis on how the \$1,200 per unit monthly market rent was arrived at based on the rental comparables provided.
- The Appraisal calculates the Sales Approach value to be \$6,800,000, or \$200,000 per room. The three sales comparables presented in the Appraisal average \$245,513 per room and there is no discussion on how the \$200,000 per room value was arrived at. KMA identified four motel sales comparables since 2015 that are south of the 10 freeway, and estimates the market value per the Sales Approach to be \$2,720,000, or \$80,000 per room. The sales comparables are presented as follows:

Comparable	Sale Date	Year Built	# of Rooms	Sales Price	\$/Room
4149-4151 S Figueroa	7/7/2015	1953	12	\$1,280,000	\$106,667
Crenshaw Inn Motel 5303 Crenshaw Blvd	7/31/2015	1946	17	\$900,000	\$52,941
3211 W Jefferson Blvd	3/3/2016	1947	17	\$950,000	\$55,882
Sun Motel 10918 S Figueroa St	5/4/2016	1948	10	\$1,275,000	\$127,500
Totals/Averages			56	\$4,405,000	\$78,661

- The Appraisal calculates the Income Approach value to be \$6,431,000, or \$189,150 per room. The Income Approach doesn't deduct costs of renovating the motel into an apartment building, including kitchens and converting one unit into a community room (at least \$30,000/unit). This deduction would result in a \$1,020,000 reduction in the Income Approach value. KMA did not research the market rents for studio units or capitalization rates for this market area. Therefore, if the gross Income Approach value is \$6,431,000, the net value after deducting the conversion costs would be \$5,411,000, or \$159,150 per room.

While the Appraiser assumed that the Sales Approach valuation should prevail, KMA assumes that given current market conditions and the ability to convert the Property to apartments under the current zoning, the market value should be established by the

Income Approach, or \$5,411,000. However, KMA recommends an As-Is appraisal be conducted for the Property prior to HCID awarding the Project any HHH funds.

Relocation Costs

While the Applicant claims that there will be no relocation costs associated with the proposed conversion of the motel into apartments, KMA concludes that it is highly likely that at least a portion of the rooms are inhabited by households that have become long-term residents. There is also a high probability that the rooms are housing more than two people, which means those households would need to be permanently relocated. The Applicant will be required to provide relocation benefits to such households per the Relocation Policy of the City of Los Angeles. KMA's analysis includes a \$170,000 allowance for relocation costs, or \$5,000 per unit.

Remediation Costs

While the various reports mention the need for lead-based paint and asbestos remediation during the rehabilitation period, these costs are not included in the development cost estimate. KMA's analysis includes a \$100,000 allowance for remediation costs.

Rehabilitation Costs

Without a detailed rehabilitation scope of work, it is difficult to determine whether the \$30,000 per unit estimate will be sufficient to rehabilitate the Property. Kitchens will need to be added to each room and the community room built out.

Prevailing Wage Requirement

The rehabilitation costs do not include prevailing wages, as required by the HHH Regulations. KMA's analysis includes a 20% premium on the rehabilitation costs.

Developer Fee

The Applicant assumed that the Project would be eligible for the maximum allowable Developer Fee of \$1,297,000. This estimate assumes that the Project would earn a portion of the Developer Fee from the acquisition eligible basis. Based on the KMA research of the Property ownership, it was discovered that the last sale took place in 2002, which is more than the 10-year minimum. As such, the Project will be eligible for Acquisition Tax Credits. KMA's analysis assumes the Developer fee is set at \$1,306,000 instead of \$1,297,000.

Applicant vs KMA Estimated Development Costs (Appendices B & C – Table 1)

The following compares the results of the Applicant and KMA development cost assumptions. The detailed assumptions are provided in Table 1.

	Applicant	KMA	Differences
Property Assemblage Costs	\$6,800,000	\$5,735,000	\$1,065,000
Rehabilitation Costs	1,705,000	2,047,000	(342,000)
Indirect/Financing Costs	3,499,000	3,107,000	392,000
Total Development Costs	\$12,004,000	\$10,889,000	\$1,115,000
Per Unit	\$363,760	\$329,970	\$33,790

While the Applicant did not include a prevailing wage premium in the construction cost estimate, the reduction in the Purchase Price cause the KMA development cost estimate to be \$1,115,000 lower, or approximately 10% lower, than the Applicant’s total development cost estimate. This differential is significant.

Stabilized Net Operating Income (Appendix A – Table 2)

The Applicant estimates the stabilized net operating income (NOI) as follows:

	Totals	Metrics
Tenant Portion + VASH Subsidy	\$472,704	2016 Contract Rent
Miscellaneous Income	1,711	\$4/Unit/Month
Gross Income	\$474,415	
(Less) Vacancy & Collection Allowance	(23,721)	5% of Gross Income
Effective Gross Income	\$450,694	
(Less) General Operating Expenses	(292,900)	\$8,875/Unit/Year
(Less) Property Taxes	(4,300)	Allowance
(Less) Social Services	(0)	N/A
(Less) Issuer / Bond Fees	(0)	N/A
(Less) Replacement Reserves	(9,900)	\$300/Unit/Year
Net Operating Income	\$143,594	

The following summarizes the issues KMA identified with the Applicant’s stabilized NOI assumptions:

VASH Contract Rent

The 2017 VASH voucher contract rate for studio units is \$1,496 while the Applicant assumed the 2016 rate of \$1,231. Therefore, if the Project is awarded 32 VASH vouchers, the gross rental income should increase by approximately 21%.

Miscellaneous Income

The Applicant assumed that Project would generate \$4 per unit in monthly miscellaneous income. KMA assumed that the Project would generate \$12 per unit per month in miscellaneous income, which is typical for similar projects.

Vacancy & Collection Allowance

The Applicant has assumed a 5% vacancy and collection allowance. However, the minimum TCAC allowance for similar projects is 10%. KMA assumed the more conservative allowance of 10% in the KMA analysis as the tenants will be generated from the County of Los Angeles system, which can cause a longer turn around period after a tenant vacates a unit.

Operating Expenses

While the Applicant’s estimate for annual general operating expenses at \$8,876 per unit is reasonable, a minimal budget for coordination of social services, as required by TCAC, is not included. The Applicant also did not include annual issuer / bond fees. KMA included these estimated at \$10,000 for social services and \$1,500 for issuer fees, respectively.

Applicant vs KMA Stabilized NOI (Appendices B & C – Table 2)

The following compares the results of the Applicant and KMA stabilized NOI assumptions. The detailed assumptions are provided in Table 2.

	Applicant	KMA	Difference
Tenant Portion + VASH Subsidy	\$472,704	\$574,464	(\$101,760)
Miscellaneous Income	1,711	4,752	(3,041)
Gross Income	\$474,415	\$579,216	(\$104,801)
(Less) Vacancy & Collection Allowance	(23,721)	(57,922)	34,201
Effective Gross Income	\$450,694	\$521,294	(\$70,600)
(Less) General Operating Expenses	(292,900)	(292,900)	0
(Less) Property Taxes	(4,300)	(4,300)	0
(Less) Social Services Coordination	(0)	10,000	(10,000)
(Less) Issuer / Bond Fees	(0)	1,500	(1,500)
(Less) Replacement Reserves	(9,900)	(9,900)	0
Net Operating Income	\$143,594	\$202,694	(\$59,100)

By using the 2016 VASH contract rents, the Applicant’s stabilized NOI is estimated to be approximately 29% lower than the KMA estimate. This differential is significant.

Financing Structure (Appendix A – Table 3)

The Applicant estimates the total potential permanent funding sources as follows:

	Totals	\$/Unit
Permanent Loan/TEB	\$2,086,000	\$63,210
Tax Credit Equity	3,130,000	94,850
HHH Loan	6,788,000	205,700
Deferred Developer Fee	0	0
Total Potential Funding Sources	\$12,004,000	\$363,760

The following summarizes the issues identified by KMA with the Applicant’s potential funding source assumptions:

Permanent Loan

The Applicant proposes to fund the Project using tax-exempt bonds (Bonds) as follows:

Bond Amount – Permanent	\$2,086,000
Term¹	40 Years
Interest Rate	5.25%
Debt Coverage Ratio	1.15
Annual Debt Service	\$143,594
Security	Unsubordinated

KMA notes that the VASH contract is expected to have a 20-year term and there are no guarantees that the contract will be extended. Therefore, it will be risky for a lender to provide a 40-year loan when the contract is only guaranteed for 20 years. KMA estimated the permanent loan assuming a 20-year term, a 1.15 debt coverage ratio and a 5.25% interest rate, which combined with the significantly higher stabilized NOI estimate, results in a permanent loan of \$2,180,000, or \$94,000 higher than the Applicant’s estimate.

¹ In the NOFA Detail Report, the Applicant states the permanent loan term will be 35 years. However, the figures used in the TCAC Application indicate the term would be 40 years.

Acquisition Tax Credits

The following summarizes the anticipated Tax Credit equity to be generated by the Project:

Eligible Basis	Acquisition - \$6,785,000 Rehabilitation - \$3,158,164
QCT/DDA Adjustment	Yes
Applicable Fraction	100%
Applicable Percentage	3.25%
Total Federal Tax Credits	\$3,539,450
% of Gross Tax Credit Taken	100%
Syndication Value	\$0.88
Net Tax Credit Equity	\$3,130,411
% Allocated During Construction	30%

The Applicant set the Tax Credit equity rate at \$0.88 per Tax Credit, which is below the minimum range provided in the HHH Regulations. KMA estimated the Tax Equity rate at \$0.95 per Tax Credit. When the eligible basis is adjusted for the KMA development cost assumptions and the higher equity rate, the net Tax Credits to be generated by the Project is estimated at \$3,520,000, which is \$390,000 higher than the Applicant’s estimate.

HHH Loan

While the Applicant’s \$6,788,000 HHH loan request is appropriate, the Application documents repeatedly note that the \$6,788,000 will be available to the Project on July 2018. However, the funds won’t be available for disbursement until September 2018, which will probably impact the Project timeline.

Applicant vs KMA Potential Funding Sources (Appendices B & C – Table 3)

The following compares the results of the Applicant and KMA potential funding source estimates:

	Applicant	KMA	Difference
Permanent Loan/TEB	\$2,086,000	\$2,180,000	(\$94,000)
Tax Credit Equity	3,130,000	3,520,000	(390,000)
HHH Loan	6,788,000	6,788,000	0
Deferred Developer Fee	0	0	0
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)

Therefore, based on the KMA assumptions, the Applicant has understated the potential funding sources for the Project by \$484,000, or 4%.

Applicant vs. KMA Financial Gap Calculation (Appendices A & B & C – Table 3)

The following compares the results of the KMA analysis:

	Applicant	KMA	Difference
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)
(Less) Total Development Costs	(12,004,000)	(10,889,000)	(1,115,000)
Financial Surplus / (Gap)	\$0	\$1,599,000	(\$1,599,000)

The Applicant presents the proposed Project as being financially feasible; however, KMA has identified significant issues with the Applicant’s assumptions. As such, KMA concludes that the Project will require approximately \$1,599,000 less in HHH funds. Therefore, the Applicant’s request for assistance is overstated.

REQUESTED HHH LOAN

The Applicant has requested a total of \$6,787,742 in HHH funds. A total of 32 units will be considered HHH units, of which 16 units, or 50% of the HHH units, will be set aside for chronically homeless households. The following summarizes how the funding request was calculated:

PSH – CH Units	16 units x \$212,117	\$3,393,871
PSH Units	16 units x \$212,117	3,393,871
Total HHH Loan Requested	32 x \$212,117	\$6,787,742

The Applicant’s request is lower than the maximum allowable HHH loan amount and below the \$220,000 per unit maximum.

Cash Flow Analysis (Appendix B – Table 4)

The Applicant’s cash flow analysis shows the Project to have positive cash flow through year 15, as required by the HHH regulations. However, due to several incorrect assumptions by the Applicant, KMA restated the cash flow analysis. The analysis illustrates that the Project will have positive cash flow through year 53 and that the HHH loan is not estimated to be repaid by year 55. However, this analysis doesn’t consider the terms of the additional funding sources that will be needed to make the Project feasible.

HHH FINANCIAL THRESHOLD REQUIREMENTS

KMA identified the following missing or incomplete items from the Applicant's submittal:

1. Preliminary Title Report;
2. Executed Purchase and Sale Agreement;
3. As-Is Appraisal; and
4. Relocation analysis.

CONCLUSIONS

Based on the KMA analysis, the feasibility of the proposed Project is in question due to the following major issues:

1. Due to conflicting information provided in the Application documents, it is not clear who the current owner of the Property is at this time.
2. Based on questionable assumptions in the Appraisal, the value of the Property may be approximately \$1,389,000 lower than the proposed Purchase Price.
3. The Applicant's assumption that there will be no relocation or remediation costs associated with the Project appear to be unreasonable and understates the development costs by approximately \$270,000.
4. The HHH Regulations specifically state that all projects utilizing HHH funds will be required to pay State prevailing wages and possibly enter into a project labor agreement. KMA estimates the Applicant has under estimated the construction costs by approximately \$342,000.
5. Due to the Tax Credit equity projected to be generated is understated by the Applicant by approximately \$390,000.

The result of the above-mentioned issues causes KMA to conclude that the Project does not require the full \$6,787,742 in HHH funds as requested. In addition, the Applicant did not provide several threshold application items.

**APPENDIX A
APPLICANT'S PROPOSAL**

APPENDIX A - TABLE 1 (APPLICANT'S PROPOSAL)

ESTIMATED DEVELOPMENT COSTS
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

I. Land Assemblage Costs			
Land Acquisition Costs ¹	33 Units	\$206,061 /Unit	\$6,800,000
Relocation Costs ²	34 Relocated HHs	\$0 /Unit	0
Demolition / Remediation Costs	Allowance		0
Closing Costs	0.0% of Acquisition Costs		0
Total Land Assemblage Costs	33 Units	\$206,100 /Unit	\$6,800,000
II. Direct Costs ³			
Off-site Improvements	Allowance		\$0
On-site Improvements	20,187 Sf Land Area	\$0 /Sf Land Area	0
Rehabilitation Costs	33 Units	\$37,500 /Unit	1,238,000
Furnishings, Fixtures & Equipment	33 Units	\$2,000 /Unit	66,000
Contractor Fees / General Requirements	14% of Construction Costs		173,000
Construction Insurance / Bonds	1% of Construction Costs		16,000
Contingency Allowance	14% of Other Direct Costs		212,000
Total Direct Costs	33 Units	\$51,667 /Unit	\$1,705,000
III. Indirect Costs			
Architecture, Engineering & Consultants	14% of Direct Costs		\$237,000
Permits & Fees ⁴	33 Units	\$1,710 /Unit	56,000
Taxes, Insurance, Legal & Accounting	10% of Direct Costs		175,000
Marketing & Leasing	33 Units	\$288 /Unit	10,000
Developer Fee ⁵			1,297,000
Contingency Allowance	14% of Other Indirect Costs		254,000
Total Indirect Costs			\$2,029,000
IV. Financing Costs			
Construction Interest ⁶	\$11,045,000 TE Bonds	5.25% Interest	\$773,000
<u>Financing Fees</u>			
Construction Loan	\$11,045,000 TE Bonds	2.36 Points	261,000
Permanent Loan	\$2,086,000 TE Bonds	1.00 Points	21,000
Issuance Costs	\$11,045,000 TE Bonds	1.58 Points	174,000
Tax Credit Fees	33 Units	\$767 /Unit	25,000
<u>Capitalized Reserves</u>			
Operating	\$35,998 /Month	6 Months	216,000
Transitional	32 PBV Units	\$0 /PBV Unit	0
Total Financing Costs			\$1,470,000
V. Total Development Costs	33 Units	\$363,758 /Unit	\$12,004,000

¹ Based on Appraisal.

² Applicant assumes that there will be no relocation obligations.

³ Does not include a prevailing wage premium.

⁴ Does not include impact fess.

⁵ Maximum allowable Developer Fee.

⁶ Assumes a 24-month rehabilitation period and a 67% average outstanding balance.

APPENDIX A - TABLE 2 (APPLICANT'S PROPOSAL)

STABILIZED NET OPERATING INCOME
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

I. Project Revenue			
Manager Unit(s)	1 Units	\$0 /Month	\$0
<u>50% Median</u>			
Studio Units @ (309-Sf) ¹	32 Units	\$320 /Month	122,880
Total Potential Gross Rental Income	33 Units	\$310 /Month	\$122,880
Add: PBV Subsidy ²	32 Units	\$911 /Month	349,824
Add: Miscellaneous Income	33 Units	\$4 /Unit/Month	1,711
Total Potential Gross Income			<u>\$474,415</u>
(Less) Vacancy & Collection Allowance ³	5% of Potential Gross Income		<u>(23,721)</u>
Effective Gross Income			\$450,694
II. Operating Expenses			
General Operating Expenses	33 Units	\$8,876 /Unit	\$292,900
Property Taxes	33 Units	\$130 /Unit	4,300
Services	33 Units	NA /Unit	0
Annual Bond/Trustee Fees	33 Units	NA /Unit	0
Replacement Reserve	33 Units	\$300 /Unit	9,900
Total Operating Expenses	33 Units	\$9,310 /Unit	\$307,100
III. Net Operating Income			\$143,594

¹ Based on 2017 TCAC 30% AMI rent even though restricted to 50% AMI. Assumes owner pays for all utilities.

² Assumes the 2016 VASH contract rent at \$1,231.

³ Applicant will need to request a waiver from TCAC to underwrite Project with a vacancy allowance lower than 10%.

APPENDIX A - TABLE 3 (APPLICANT'S PROPOSAL)

FINANCIAL SURPLUS / (GAP) CALCULATION
 WESTERN AVENUE APARTMENTS
 LOS ANGELES, CALIFORNIA

I. Potential Funding Sources

A. Supportable Permanent Tax-Exempt Bonds¹

Net Operating Income	\$143,594	NOI	
Income Available for Mortgage	1.150	DCR	\$124,877 Debt Service
Interest Rate / Mortgage Constant	5.25%	Int. Rate	5.99% Mort. Constant

Supportable Permanent Financing **\$2,086,000**

B. **Federal Tax Credit Equity**² **\$3,539,450** Gross Value 88.43% Synd. Rate **\$3,130,000**

C. **Prop HHH Loan**³ 32 PSH Units \$212,117 /PSH Unit **\$6,788,000**

D. **Deferred Developer Fee** 0% Developer Fee **\$0**

Total Potential Funding Sources **\$12,004,000**

II. Financial Surplus / (Gap) Calculation

Total Potential Funding Sources	\$12,004,000
(Less) Total Development Costs	(12,004,000)

Financial Surplus / (Gap)	33 Units	\$0 /Unit	\$0
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III. Proposed Funding of Financial Gap by City

Land Loan	\$0
Cash Loan from LMIHAF	0
HHH Loan	6,788,000
CDBG Loan	0
HOME Loan	0

Total City Funding Sources	33 Units	\$205,700 /Unit	\$6,788,000
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¹ Assumes a 40 year loan and amortization term.

² Assumes the Project will be eligible for Acquisition Tax Credits. Tax Credit equity rate is below the HHH NOFA minimum.

³ Maximum allowable HHH request.

**APPENDIX B
KMA'S ANALYSIS**

APPENDIX B - TABLE 1 (KMA ANALYSIS)

ESTIMATED DEVELOPMENT COSTS
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

I. Land Assemblage Costs			
Land Acquisition Costs ¹	33 Units	\$163,970 /Unit	\$5,411,000
Relocation Costs ²	34 Relocated HHs	\$5,000 /Unit	170,000
Demolition / Remediation Costs ³	Allowance		100,000
Closing Costs ⁴	1.0% of Acquisition Costs		54,000
Total Land Assemblage Costs	33 Units	\$173,800 /Unit	\$5,735,000
II. Direct Costs ⁴			
Off-site Improvements ⁵	Allowance		\$0
On-site Improvements ⁵	20,187 Sf Land Area	\$0 /Sf Land Area	0
Rehabilitation Costs ⁵	33 Units	\$37,500 /Unit	1,238,000
Prevailing Wages	20% Premium		248,000
Furnishings, Fixtures & Equipment	33 Units	\$2,000 /Unit	66,000
Contractor Fees / General Requirements	14% of Construction Costs		208,000
Construction Insurance / Bonds ⁵	1% of Construction Costs		20,000
Contingency Allowance	15% of Other Direct Costs		267,000
Total Direct Costs	33 Units	\$62,030 /Unit	\$2,047,000
III. Indirect Costs ⁴			
Architecture, Engineering & Consultants	6% of Direct Costs		\$123,000
Permits & Fees ⁵	33 Units	\$1,710 /Unit	56,000
Taxes, Insurance, Legal & Accounting	2% of Direct Costs		41,000
Marketing & Leasing	33 Units	\$100 /Unit	3,000
Developer Fee ⁶			1,306,000
Contingency Allowance	5% of Other Indirect Costs		76,000
Total Indirect Costs			\$1,605,000
IV. Financing Costs ⁴			
Construction Interest ⁷	\$10,780,000 TE Bonds	5.25% Interest	\$754,000
Financing Fees			
Construction Loan	\$10,780,000 TE Bonds	2.00 Points	216,000
Permanent Loan	\$2,180,000 TE Bonds	2.00 Points	44,000
Issuance Costs	\$10,780,000 TE Bonds	2.00 Points	216,000
Tax Credit Fees	33 Units	\$767 /Unit	25,000
Capitalized Reserves			
Operating	\$41,238 /Month	6 Months	247,000
Transitional	32 PBV Units	\$0 /PBV Unit	0
Total Financing Costs			\$1,502,000
V. Total Development Costs	33 Units	\$329,970 /Unit	\$10,889,000

¹ KMA estimate. Based on revised Income Approach valuation.

² KMA estimate. Assumes that there are long-term tenants currently staying at the motel.

³ KMA estimate. Based on minimal remediation requirements noted in Phase I Report.

⁴ KMA estimate.

⁵ Applicant estimate.

⁶ KMA estimated. Assumes Property is eligible for Acquisition Tax Credit.

⁶ KMA estimate. Assumes a 24-month rehabilitation period and a 67% average outstanding balance.

APPENDIX B - TABLE 2 (KMA ANALYSIS)

STABILIZED NET OPERATING INCOME
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

I. Project Revenue			
Manager Unit(s)	1 Units	\$0 /Month	\$0
<u>50% Median</u>			
Studio Units @ (309-Sf) ¹	32 Units	\$788 /Month	302,592
Total Potential Gross Rental Income	33 Units	\$764 /Month	\$302,592
Add: PBV Subsidy ²	32 Units	\$708 /Month	271,872
Add: Miscellaneous Income ³	33 Units	\$12 /Unit/Month	4,752
Total Potential Gross Income			<u>\$579,216</u>
(Less) Vacancy & Collection Allowance ⁴	10% of Potential Gross Income		<u>(57,922)</u>
Effective Gross Income			\$521,294
II. Operating Expenses ³			
General Operating Expenses ⁵	33 Units	\$8,876 /Unit	\$292,900
Property Taxes ⁵	33 Units	\$130 /Unit	4,300
Services	33 Units	\$303 /Unit	10,000
Annual Bond/Trustee Fees	33 Units	\$45 /Unit	1,500
Replacement Reserve ⁵	33 Units	\$300 /Unit	9,900
Total Operating Expenses	33 Units	\$9,650 /Unit	\$318,600
III. Net Operating Income			\$202,694

¹ Based on 2017 TCAC 50% AMI rent. Assumes owner pays for all utilities.

² Assumes the 2017 VASH contract rent at \$1,469.

³ KMA estimate.

³ KMA estimate. Based on TCAC requirement for special needs requirements.

³ Applicant estimate.

APPENDIX B - TABLE 3 (KMA ANALYSIS)

FINANCIAL SURPLUS / (GAP) CALCULATION
 WESTERN AVENUE APARTMENTS
 LOS ANGELES, CALIFORNIA

I. Potential Funding Sources

A. Supportable Permanent Tax-Exempt Bonds¹

Net Operating Income	\$202,694	NOI	
Income Available for Mortgage	1.150	DCR	\$176,257 Debt Service
Interest Rate / Mortgage Constant	5.25%	Int. Rate	8.09% Mort. Constant

Supportable Permanent Financing \$2,180,000

B. Federal Tax Credit Equity² \$3,705,228 Gross Value 94.99% Synd. Rate \$3,520,000

C. Prop HHH Loan³ 32 PSH Units \$212,117 /PSH Unit \$6,788,000

D. Deferred Developer Fee³ 0% Developer Fee \$0

Total Potential Funding Sources **\$12,488,000**

II. Financial Surplus / (Gap) Calculation

Total Potential Funding Sources	\$12,488,000
(Less) Total Development Costs	(10,889,000)

Financial Surplus / (Gap)	33 Units	\$48,500 /Unit	\$1,599,000
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III. Proposed Funding of Financial Gap by City

Land Loan	\$0
Cash Loan from LMIHAF	0
HHH Loan	6,788,000
CDBG Loan	0
HOME Loan	0

Total City Funding Sources	33 Units	\$205,700 /Unit	\$6,788,000
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¹ KMA estimate. Assumes a 20 year term to match VASH contract.

² KMA estimate. Assumes Project is eligible for Acquisition Tax Credits.

³ Applicant estimate.

APPENDIX B - TABLE 4 (KMA ANALYSIS)

CASH FLOW ANALYSIS - PBV THROUGH YEAR 55

4314 ADAMS

LOS ANGELES, CALIFORNIA

		<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>
I. Potential Gross Income										
Gross Residential Income - Base Rents	102.5% /Year	\$302,592	\$310,157	\$317,911	\$325,858	\$334,005	\$342,355	\$350,914	\$359,687	
PBV Subsidy	102.5% /Year	271,872	278,669	285,636	292,776	300,096	307,598	315,288	323,170	
Miscellaneous Income	102.5% /Year	4,752	4,871	4,993	5,117	5,245	5,376	5,511	5,649	
Total Potential Gross Income		\$579,216	\$593,696	\$608,539	\$623,752	\$639,346	\$655,330	\$671,713	\$688,506	
(Less) Vacancy & Collection Allowance	10.0% of PGI	(57,922)	(59,370)	(60,854)	(62,375)	(63,935)	(65,533)	(67,171)	(68,851)	
Effective Gross Income		\$521,294	\$534,327	\$547,685	\$561,377	\$575,411	\$589,797	\$604,542	\$619,655	
II. Operating Expenses										
General Operating Expenses	103.5% /Year	\$292,900	\$303,152	\$313,762	\$324,743	\$336,109	\$347,873	\$360,049	\$372,651	
Property Taxes	102.0% /Year	4,300	4,386	4,474	4,563	4,654	4,748	4,842	4,939	
Social Services	103.5% /Year	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	
Replacement Reserves	103.0% /Year	9,900	10,197	10,503	10,818	11,143	11,477	11,821	12,176	
Total Operating Expenses		\$317,100	\$328,085	\$339,451	\$351,212	\$363,382	\$375,975	\$389,005	\$402,488	
III. Net Operating Income		\$204,194	\$206,242	\$208,234	\$210,165	\$212,030	\$213,822	\$215,537	\$217,167	
(Less) Annual Debt Service		(176,257)	(176,257)	(176,257)	(176,257)	(176,257)	(176,257)	(176,257)	(176,257)	
IV. Available Cash Flow		\$27,938	\$29,986	\$31,978	\$33,909	\$35,773	\$37,566	\$39,280	\$40,910	
V. Contingent Payments										
LP Asset Management Fee		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
GP Asset Management Fee		25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	
Deferred Developer Fee		0	0	0	0	0	0	0	0	
Total Contingent Payments		\$25,000	\$25,875	\$26,781	\$27,718	\$28,688	\$29,692	\$30,731	\$31,807	
VI. Residual Receipts		\$2,938	\$4,111	\$5,197	\$6,191	\$7,085	\$7,873	\$8,549	\$9,103	
HHH Loan	50% of RR	1,469	2,055	2,599	3,095	3,543	3,937	4,274	4,552	
	\$979,000 NPV @ 6.0%									
Developer	50% of RR	1,469	2,055	2,599	3,095	3,543	3,937	4,274	4,552	
	\$310,000 NPV @ 6.0%									

APPENDIX B - TABLE 4 (KMA ANALYSIS)

CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
 4314 ADAMS
 LOS ANGELES, CALIFORNIA

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
I. Potential Gross Income											
Gross Residential Income - Base Rents	\$368,679	\$377,896	\$387,343	\$397,027	\$406,953	\$417,126	\$427,555	\$438,243	\$449,200	\$460,430	\$471,940
PBV Subsidy	331,250	339,531	348,019	356,720	365,638	374,779	384,148	393,752	403,596	413,685	424,028
Miscellaneous Income	<u>5,790</u>	<u>5,935</u>	<u>6,083</u>	<u>6,235</u>	<u>6,391</u>	<u>6,551</u>	<u>6,714</u>	<u>6,882</u>	<u>7,054</u>	<u>7,231</u>	<u>7,411</u>
Total Potential Gross Income	\$705,718	\$723,361	\$741,445	\$759,982	\$778,981	\$798,456	\$818,417	\$838,877	\$859,849	\$881,346	\$903,379
(Less) Vacancy & Collection Allowance	<u>(70,572)</u>	<u>(72,336)</u>	<u>(74,145)</u>	<u>(75,998)</u>	<u>(77,898)</u>	<u>(79,846)</u>	<u>(81,842)</u>	<u>(83,888)</u>	<u>(85,985)</u>	<u>(88,135)</u>	<u>(90,338)</u>
Effective Gross Income	\$635,147	\$651,025	\$667,301	\$683,983	\$701,083	\$718,610	\$736,575	\$754,990	\$773,864	\$793,211	\$813,041
II. Operating Expenses											
General Operating Expenses	\$385,693	\$399,193	\$413,164	\$427,625	\$442,592	\$458,083	\$474,116	\$490,710	\$507,885	\$525,660	\$544,059
Property Taxes	5,038	5,139	5,242	5,347	5,453	5,563	5,674	5,787	5,903	6,021	6,141
Social Services	13,168	13,629	14,106	14,600	15,111	15,640	16,187	16,753	17,340	17,947	18,575
Replacement Reserves	<u>12,541</u>	<u>12,917</u>	<u>13,305</u>	<u>13,704</u>	<u>14,115</u>	<u>14,538</u>	<u>14,975</u>	<u>15,424</u>	<u>15,887</u>	<u>16,363</u>	<u>16,854</u>
Total Operating Expenses	\$416,441	\$430,878	\$445,817	\$461,275	\$477,271	\$493,823	\$510,951	\$528,674	\$547,014	\$565,991	\$585,629
III. Net Operating Income	\$218,706	\$220,148	\$221,484	\$222,708	\$223,812	\$224,787	\$225,624	\$226,315	\$226,851	\$227,220	\$227,412
(Less) Annual Debt Service	<u>(176,257)</u>										
IV. Available Cash Flow	\$42,449	\$43,891	\$45,228	\$46,452	\$47,555	\$48,530	\$49,368	\$50,059	\$50,594	\$50,963	\$51,156
V. Contingent Payments											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884	43,350	44,867	46,437
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$32,920	\$34,072	\$35,265	\$36,499	\$37,777	\$39,099	\$40,467	\$41,884	\$43,350	\$44,867	\$46,437
VI. Residual Receipts	\$9,529	\$9,819	\$9,963	\$9,952	\$9,779	\$9,431	\$8,900	\$8,175	\$7,244	\$6,096	\$4,719
HHH Loan	4,765	4,909	4,981	4,976	4,889	4,716	4,450	4,088	3,622	3,048	2,359
Developer	4,765	4,909	4,981	4,976	4,889	4,716	4,450	4,088	3,622	3,048	2,359

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>	<u>Year 24</u>	<u>Year 25</u>	<u>Year 26</u>	<u>Year 27</u>	<u>Year 28</u>	<u>Year 29</u>	<u>Year 30</u>
I. Potential Gross Income											
Gross Residential Income - Base Rents	\$483,739	\$495,832	\$508,228	\$520,934	\$533,957	\$547,306	\$560,989	\$575,013	\$589,389	\$604,123	\$619,227
PBV Subsidy	434,628	445,494	456,631	468,047	479,748	491,742	504,035	516,636	529,552	542,791	556,361
Miscellaneous Income	<u>7,597</u>	<u>7,787</u>	<u>7,981</u>	<u>8,181</u>	<u>8,385</u>	<u>8,595</u>	<u>8,810</u>	<u>9,030</u>	<u>9,256</u>	<u>9,487</u>	<u>9,725</u>
Total Potential Gross Income	\$925,964	\$949,113	\$972,841	\$997,162	\$1,022,091	\$1,047,643	\$1,073,834	\$1,100,680	\$1,128,197	\$1,156,402	\$1,185,312
(Less) Vacancy & Collection Allowance	<u>(92,596)</u>	<u>(94,911)</u>	<u>(97,284)</u>	<u>(99,716)</u>	<u>(102,209)</u>	<u>(104,764)</u>	<u>(107,383)</u>	<u>(110,068)</u>	<u>(112,820)</u>	<u>(115,640)</u>	<u>(118,531)</u>
Effective Gross Income	\$833,367	\$854,202	\$875,557	\$897,446	\$919,882	\$942,879	\$966,451	\$990,612	\$1,015,377	\$1,040,762	\$1,066,781
II. Operating Expenses											
General Operating Expenses	\$563,101	\$582,809	\$603,207	\$624,320	\$646,171	\$668,787	\$692,194	\$716,421	\$741,496	\$767,448	\$794,309
Property Taxes	6,264	6,390	6,517	6,648	6,781	6,916	7,055	7,196	7,340	7,486	7,636
Social Services	19,225	19,898	20,594	21,315	22,061	22,833	23,632	24,460	25,316	26,202	27,119
Replacement Reserves	<u>17,360</u>	<u>17,881</u>	<u>18,417</u>	<u>18,969</u>	<u>19,539</u>	<u>20,125</u>	<u>20,728</u>	<u>21,350</u>	<u>21,991</u>	<u>22,650</u>	<u>23,330</u>
Total Operating Expenses	\$605,950	\$626,977	\$648,736	\$671,252	\$694,551	\$718,661	\$743,610	\$769,427	\$796,142	\$823,787	\$852,394
III. Net Operating Income	\$227,418	\$227,224	\$226,821	\$226,194	\$225,330	\$224,218	\$222,841	\$221,185	\$219,235	\$216,975	\$214,387
(Less) Annual Debt Service	<u>(176,257)</u>										
IV. Available Cash Flow	\$51,161	\$227,224	\$226,821	\$226,194	\$225,330	\$224,218	\$222,841	\$221,185	\$219,235	\$216,975	\$214,387
V. Contingent Payments											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	48,063	49,745	51,486	53,288	55,153	57,083	59,081	61,149	63,289	65,504	67,797
Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Contingent Payments	\$48,063	\$49,745	\$51,486	\$53,288	\$55,153	\$57,083	\$59,081	\$61,149	\$63,289	\$65,504	\$67,797
VI. Residual Receipts	\$3,099	\$177,480	\$175,335	\$172,906	\$170,178	\$167,134	\$163,760	\$160,036	\$155,946	\$151,470	\$146,590
HHH Loan	1,549	88,740	87,667	86,453	85,089	83,567	81,880	80,018	77,973	75,735	73,295
Developer	1,549	88,740	87,667	86,453	85,089	83,567	81,880	80,018	77,973	75,735	73,295

APPENDIX B - TABLE 4 (KMA ANALYSIS)

CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41
I. Potential Gross Income											
Gross Residential Income - Base Rents	\$634,707	\$650,575	\$666,839	\$683,510	\$700,598	\$718,113	\$736,066	\$754,467	\$773,329	\$792,662	\$812,479
PBV Subsidy	570,270	584,527	599,140	614,118	629,471	645,208	661,338	677,872	694,818	712,189	729,994
Miscellaneous Income	<u>9,968</u>	<u>10,217</u>	<u>10,472</u>	<u>10,734</u>	<u>11,002</u>	<u>11,277</u>	<u>11,559</u>	<u>11,848</u>	<u>12,145</u>	<u>12,448</u>	<u>12,759</u>
Total Potential Gross Income	\$1,214,945	\$1,245,318	\$1,276,451	\$1,308,363	\$1,341,072	\$1,374,598	\$1,408,963	\$1,444,187	\$1,480,292	\$1,517,299	\$1,555,232
(Less) Vacancy & Collection Allowance	<u>(121,494)</u>	<u>(124,532)</u>	<u>(127,645)</u>	<u>(130,836)</u>	<u>(134,107)</u>	<u>(137,460)</u>	<u>(140,896)</u>	<u>(144,419)</u>	<u>(148,029)</u>	<u>(151,730)</u>	<u>(155,523)</u>
Effective Gross Income	\$1,093,450	\$1,120,786	\$1,148,806	\$1,177,526	\$1,206,964	\$1,237,139	\$1,268,067	\$1,299,769	\$1,332,263	\$1,365,570	\$1,399,709
II. Operating Expenses											
General Operating Expenses	\$822,110	\$850,884	\$880,665	\$911,488	\$943,390	\$976,409	\$1,010,583	\$1,045,953	\$1,082,562	\$1,120,451	\$1,159,667
Property Taxes	7,789	7,945	8,104	8,266	8,431	8,600	8,772	8,947	9,126	9,308	9,495
Social Services	28,068	29,050	30,067	31,119	32,209	33,336	34,503	35,710	36,960	38,254	39,593
Replacement Reserves	<u>24,030</u>	<u>24,751</u>	<u>25,493</u>	<u>26,258</u>	<u>27,046</u>	<u>27,857</u>	<u>28,693</u>	<u>29,554</u>	<u>30,440</u>	<u>31,354</u>	<u>32,294</u>
Total Operating Expenses	\$881,997	\$912,629	\$944,329	\$977,131	\$1,011,075	\$1,046,201	\$1,082,550	\$1,120,164	\$1,159,088	\$1,199,367	\$1,241,049
III. Net Operating Income	\$211,454	\$208,157	\$204,478	\$200,395	\$195,889	\$190,937	\$185,517	\$179,604	\$173,175	\$166,202	\$158,660
(Less) Annual Debt Service											
IV. Available Cash Flow	\$211,454	\$208,157	\$204,478	\$200,395	\$195,889	\$190,937	\$185,517	\$179,604	\$173,175	\$166,202	\$158,660
V. Contingent Payments											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	70,170	72,626	75,168	77,799	80,522	83,340	86,257	89,276	92,400	95,634	98,981
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$70,170	\$72,626	\$75,168	\$77,799	\$80,522	\$83,340	\$86,257	\$89,276	\$92,400	\$95,634	\$98,981
VI. Residual Receipts	\$141,284	\$135,531	\$129,310	\$122,597	\$115,368	\$107,598	\$99,260	\$90,329	\$80,775	\$70,568	\$59,679
HHH Loan	70,642	67,766	64,655	61,298	57,684	53,799	49,630	45,164	40,387	35,284	29,839
Developer	70,642	67,766	64,655	61,298	57,684	53,799	49,630	45,164	40,387	35,284	29,839

APPENDIX B - TABLE 4 (KMA ANALYSIS)

CASH FLOW ANALYSIS - PBV THROUGH YEAR 55

4314 ADAMS

LOS ANGELES, CALIFORNIA

	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52
I. Potential Gross Income											
Gross Residential Income - Base Rents	\$832,791	\$853,611	\$874,951	\$896,825	\$919,245	\$942,226	\$965,782	\$989,927	\$1,014,675	\$1,040,042	\$1,066,043
PBV Subsidy	748,244	766,950	786,123	805,776	825,921	846,569	867,733	889,426	911,662	934,454	957,815
Miscellaneous Income	<u>13,078</u>	<u>13,405</u>	<u>13,741</u>	<u>14,084</u>	<u>14,436</u>	<u>14,797</u>	<u>15,167</u>	<u>15,546</u>	<u>15,935</u>	<u>16,333</u>	<u>16,741</u>
Total Potential Gross Income	\$1,594,113	\$1,633,966	\$1,674,815	\$1,716,685	\$1,759,602	\$1,803,592	\$1,848,682	\$1,894,899	\$1,942,272	\$1,990,828	\$2,040,599
(Less) Vacancy & Collection Allowance	<u>(159,411)</u>	<u>(163,397)</u>	<u>(167,481)</u>	<u>(171,669)</u>	<u>(175,960)</u>	<u>(180,359)</u>	<u>(184,868)</u>	<u>(189,490)</u>	<u>(194,227)</u>	<u>(199,083)</u>	<u>(204,060)</u>
Effective Gross Income	\$1,434,701	\$1,470,569	\$1,507,333	\$1,545,017	\$1,583,642	\$1,623,233	\$1,663,814	\$1,705,409	\$1,748,044	\$1,791,746	\$1,836,539
II. Operating Expenses											
General Operating Expenses	\$1,200,256	\$1,242,264	\$1,285,744	\$1,330,745	\$1,377,321	\$1,425,527	\$1,475,420	\$1,527,060	\$1,580,507	\$1,635,825	\$1,693,079
Property Taxes	9,684	9,878	10,076	10,277	10,483	10,692	10,906	11,124	11,347	11,574	11,805
Social Services	40,978	42,413	43,897	45,433	47,024	48,669	50,373	52,136	53,961	55,849	57,804
Replacement Reserves	<u>33,263</u>	<u>34,261</u>	<u>35,289</u>	<u>36,347</u>	<u>37,438</u>	<u>38,561</u>	<u>39,718</u>	<u>40,909</u>	<u>42,137</u>	<u>43,401</u>	<u>44,703</u>
Total Operating Expenses	\$1,284,181	\$1,328,816	\$1,375,005	\$1,422,803	\$1,472,265	\$1,523,450	\$1,576,417	\$1,631,230	\$1,687,951	\$1,746,649	\$1,807,391
III. Net Operating Income	\$150,520	\$141,753	\$132,328	\$122,214	\$111,377	\$99,783	\$87,396	\$74,179	\$60,093	\$45,097	\$29,148
(Less) Annual Debt Service											
IV. Available Cash Flow	\$150,520	\$141,753	\$132,328	\$122,214	\$111,377	\$99,783	\$87,396	\$74,179	\$60,093	\$45,097	\$29,148
V. Contingent Payments											
LP Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GP Asset Management Fee	102,446	106,031	109,743	113,584	111,377	99,783	87,396	74,179	60,093	45,097	29,148
Deferred Developer Fee	<u>0</u>										
Total Contingent Payments	\$102,446	\$106,031	\$109,743	\$113,584	\$111,377	\$99,783	\$87,396	\$74,179	\$60,093	\$45,097	\$29,148
VI. Residual Receipts	\$48,074	\$35,721	\$22,585	\$8,630	\$0						
HHH Loan	24,037	17,861	11,293	4,315	0	0	0	0	0	0	0
Developer	24,037	17,861	11,293	4,315	0	0	0	0	0	0	0

APPENDIX B - TABLE 4 (KMA ANALYSIS)

**CASH FLOW ANALYSIS - PBV THROUGH YEAR 55
4314 ADAMS
LOS ANGELES, CALIFORNIA**

	<u>Year 53</u>	<u>Year 54</u>	<u>Year 55</u>
I. <u>Potential Gross Income</u>			
Gross Residential Income - Base Rents	\$1,092,694	\$1,120,011	\$1,148,011
PBV Subsidy	981,760	1,006,304	1,031,462
Miscellaneous Income	<u>17,160</u>	<u>17,589</u>	<u>18,029</u>
Total Potential Gross Income	\$2,091,614	\$2,143,904	\$2,197,502
(Less) Vacancy & Collection Allowance	<u>(209,161)</u>	<u>(214,390)</u>	<u>(219,750)</u>
Effective Gross Income	\$1,882,453	\$1,929,514	\$1,977,752
II. <u>Operating Expenses</u>			
General Operating Expenses	\$1,752,337	\$1,813,669	\$1,877,147
Property Taxes	12,041	12,282	12,528
Social Services	59,827	61,921	64,088
Replacement Reserves	<u>46,044</u>	<u>47,425</u>	<u>48,848</u>
Total Operating Expenses	\$1,870,249	\$1,935,297	\$2,002,611
III. <u>Net Operating Income</u>	\$12,204	(\$5,783)	(\$24,859)
(Less) Annual Debt Service			
IV. <u>Available Cash Flow</u>	\$12,204	(\$5,783)	(\$24,859)
V. <u>Contingent Payments</u>			
LP Asset Management Fee	\$0	\$0	\$0
GP Asset Management Fee	12,204	0	0
Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>
Total Contingent Payments	\$12,204	\$0	\$0
VI. <u>Residual Receipts</u>	\$0	(\$5,783)	(\$24,859)
HHH Loan	0	0	16,460,252
Developer	0	(5,783)	(24,859)

**APPENDIX C
COMPARISON ANALYSIS**

APPENDIX C - TABLE 1 (COMPARISON ANALYSIS)

ESTIMATED DEVELOPMENT COSTS
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

	Developer	KMA	Difference
I. <u>Assemblage Costs</u>			
Purchase Price	\$6,800,000	\$5,411,000	\$1,389,000
Relocation Costs	0	170,000	(170,000)
Remediation Costs	0	100,000	(100,000)
Closing Costs	0	54,000	(54,000)
Total Assemblage Costs	\$6,800,000	\$5,735,000	\$1,065,000
II. <u>Direct Costs</u>			
Onsite Costs	\$0	\$0	\$0
Rehabilitation Costs	1,238,000	1,238,000	0
Prevailing Wages		248,000	(248,000)
FF&E	66,000	66,000	0
Contractor Fees	173,000	208,000	(35,000)
Insurance	16,000	20,000	(4,000)
Contingency Allowance	212,000	267,000	(55,000)
Total Direct Costs	\$1,705,000	\$2,047,000	(\$342,000)
III. <u>Indirect Costs</u>			
Architecture, Engineering & Consulting	\$237,000	\$123,000	\$114,000
Permits & Fees	56,000	56,000	0
Taxes, Insurance, Legal & Accounting	175,000	41,000	134,000
Marketing & Leasing	10,000	3,000	7,000
Developer Fee	1,297,000	1,306,000	(9,000)
Contingency Allowance	254,000	76,000	178,000
Total Indirect Costs	\$2,029,000	\$1,605,000	\$424,000
IV. <u>Financing Costs</u>			
Interest During Construction	\$773,000	\$754,000	\$19,000
Financing Costs			
Construction Loan	261,000	216,000	45,000
Permanent Loan	21,000	44,000	(23,000)
Bond Issuance Costs	174,000	216,000	(42,000)
Tax Credit Fees	25,000	25,000	0
Operating Reserves	216,000	247,000	(31,000)
Total Financing Costs	\$1,470,000	\$1,502,000	(\$32,000)
V. <u>Total Development Costs</u>	\$12,004,000	\$10,889,000	\$1,115,000
Construction Loan	\$11,045,000	\$10,780,000	\$265,000
Permanent Loan	\$2,086,000	\$2,180,000	(\$94,000)
Eligible Basis	\$3,158,164	\$4,619,000	\$1,254,000
Acquisition Basis	\$6,785,000	0	\$2,540,000

APPENDIX C - TABLE 2 (COMPARISON ANALYSIS)

STABILIZED NET OPERATING INCOME
WESTERN AVENUE APARTMENTS
LOS ANGELES, CALIFORNIA

	Developer	KMA	Difference
I. <u>Projected Gross Income</u>			
Manager's Unit	\$0	\$0	\$0
50% AMI Rent	122,880	302,592	(179,712)
VASH Voucher Overhang	349,824	271,872	77,952
Miscellaneous Income	1,711	4,752	(3,041)
	\$474,415	\$579,216	(\$104,801)
(Less) Vacancy & Collection Allowance	(23,721)	(57,922)	34,201
	\$450,694	\$521,294	(\$70,600)
<u>Operating Expenses</u>			
General Operating Expenses	\$292,900	\$292,900	\$0
Property Taxes	4,300	4,300	0
Social Services	0	10,000	(10,000)
Issuer/Bond Fees	0	1,500	(1,500)
Replacement Reserves	9,900	9,900	0
	\$307,100	\$318,600	(\$11,500)
Net Operating Income	\$143,594	\$202,694	(\$59,100)

APPENDIX C - TABLE 3 (COMPARISON ANALYSIS)

FINANCIAL GAP ANALYSIS
 WESTERN AVENUE APARTMENTS
 LOS ANGELES, CALIFORNIA

	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
I. <u>Potential Funding Sources</u>			
A. Permanent Loan	\$2,086,000	\$2,180,000	(\$94,000)
B. Tax Credit Equity	3,130,000	3,520,000	(390,000)
C. HHH Loan	6,788,000	6,788,000	0
D. Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)
II. <u>Financial Surpluses / (Gap) Calculation</u>			
Total Potential Funding Sources	\$12,004,000	\$12,488,000	(\$484,000)
(Less) Estimated Development Costs	(12,004,000)	(10,889,000)	(1,115,000)
Financial Surplus / (Gap)	\$0	\$1,599,000	(\$1,599,000)

Attachment

G

(Staff Reports: Projects Recommended)

STAFF REPORT
January 9, 2018

The Campus at Casa de Rosas
2600 S Hoover Street
Los Angeles, CA 90007

Rehab
Council District No: 9

PROJECT DESCRIPTION

The Campus at Casa de Rosas will be developed by a 50/50 partnership between WARD Economic Development Corporation (WEDC) and Integral Development, LLC (Integral) who have proposed a “Campus” style development of approximately 37 units of Permanent Supportive Housing for Veterans and Single Parenting Veterans with children up to the age of five who have experienced homelessness. The units will be filled utilizing the Coordinated Entry System (CES), targeting women veterans with young children and/or individuals with high acuity levels. Of the units stipulated, 15 will be designated as studios, 19 will be designated as one-bedroom units, 2 will be designated as two-bedroom units and one will be a Managers unit. As part of the Campus style of development, the team has included on-site child care and community facilities for meetings, engagement and trainings.

HCIDLA currently owns the site. The property was originally transferred to HCIDLA from the Community Redevelopment Agency (CRA/LA) in June 2013. In March 2015, the Mayor and City Council authorized HCIDLA to release a Request for Proposal (RFP) for the selection of an affordable housing developer for the property; On December 7, 2015, HCIDLA released a RFP for the selection of a developer; On June 6, 2015, HCID transmitted the recommendation to select WEDC/Integral based on the proposal receiving the highest score, 87.84 out of 100 possible points among the four proposers; On June 26, 2016, the Mayor and City Council authorized HCID to proceed with the disposition and development of the project, specifically, authority to execute an Exclusive Negotiating Agreement (ENA), authority to execute a Disposition and Development Agreement (DDA), authority for a sales ordinance, if applicable, and authority to include WEDC/Integral into HCIDLA’s Managed Pipeline upon execution of the DDA. On August 29, 2016, all parties executed the ENA which provides site control of the property to the partnership.

The development is a simple courtyard designed to provide a central communal space and to maximize access to natural light and ventilation. The program is articulated through the building form and massing with sensitivity to its surrounding context. The development includes a community room, two case management offices, gymnasium with restrooms and a property management office. The interior common courtyard will lend itself to a secure livable environment, in addition to informal tenant to tenant interactions. The courtyard will allow residents to develop a sense of community. The project will have washer and dryers and a secure entrance monitored by security cameras.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan, California Housing and Community Development (HCD) MHP Loan, HCID Seller Take Back Loan, and tax credit equity from the sale of 4% Low Income Housing Tax Credits (LIHTC) from the California Tax Credit Allocation Committee (CTCAC).

The Borrower will also request 24 Project Based VASH Housing Vouchers from Housing Authority of the City of Los Angeles (HACLA) to subsidize a portion of the homeless units' rent.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with WEDC and Integral collectively serving as the Managing General Partner and a to-be-determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$6,459,110
HCID-Take Back	3,936,000
Permanent Loan	2,000,000
HCD MHP	1,795,722
Tax Credit Equity	4,747,232
Total	\$ 18,938,064

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	50% AMI	Total
0 Bedroom		9	2	4	15
1 Bedroom		9	3	7	19
2 Bedroom	1	1	1	0	3
Total	1	19	6	11	37

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$6,459,110 is recommended. The project is applying for TCAC funds. HCID funds will represent \$179,420 per affordable unit and 34% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

**STAFF REPORT
January 8, 2018**

**Cambria Apartments
1532-1538 Cambria Street
Los Angeles, CA. 90017
New Construction
Council District No: 1**

PROJECT DESCRIPTION

The subject property is located on the south side of Cambria Street, 120 feet east of the intersection of Cambria Street and Union Avenue in Los Angeles with an address of 1532-1538 Cambria Street Los Angeles, CA 90017. The site is rectangular in shape and contains approximately 15,258 square feet or 0.350 acres. Other site qualities include 120 linear front feet along Cambria Street approximately 127 feet of depth and level topography. The proposed new construction project will include a total of 57 residential units consisting of 48 studios at 380 square feet each, 8 one-bedrooms at 500 square feet each, and a two-bedroom manager's unit at 800 square feet.

Cambria Apartments is a permanent supportive housing development created to align its goals with the City of Los Angeles Proposition HHH Permanent Supportive Housing Program, which is to reduce homelessness in downtown Los Angeles. Project will provide 56 units to permanently house individuals experiencing homelessness and a two-bedroom manager's unit. The proposed new construction will be a 5-story wood frame building with a playful contemporary architecture. The street level (approximately 11,000 square feet) will accommodate the building entry, reception desk, resident mailboxes, leasing office, manager's unit, laundry room, community room, courtyard, and will have elevators and stair access to the upper floors. The community room will include a kitchen, computer room, and television room, all accessible to the residents. The kitchen layout is designed to offer cooking classes to the residents. Floors two through five will house 48 studios and 8 one-bedrooms. The fifth floor will have a roof deck with landscaping and outdoor patio for the residents to enjoy. Parking spaces are not required but the design will offer 6 parking spaces for staff onsite.

Proposed amenities include air conditioning, private bathrooms, kitchen with all appliances, furniture and window blinds. Each residential unit will be furnished with a bed, table, chairs and sofa.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program, the proposed financing is comprised of a conventional loan, AHP/FHLBSF, and 4% Federal and State Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC).

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Currently, Affirmed Housing Group, Inc., a Delaware for-profit corporation, has formed a Limited Partnership (Cambria PSH, LP) that currently owns 100% of the affordable housing project, Cambria Apartments. Affirmed Housing Group currently owns 1% interest, and James Silverwood owns 99% of Cambria PSH, LP as reflected in the existing Limited Partnership Agreement. However, the proposed ownership will change as follows: An administrative general partner will be formed to own 0.9% of the partnership, a managing general partner will be admitted to own 0.1% of the partnership and an equity investor will be admitted to own 99% of the partnership. The administrative general partner will be an Affirmed Housing entity

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$12,000,000
Tranche B –USBank	2,083,972
AHP/FHLBSF	1,120,000
GP Equity	672,869
Tax credit equity	10,510,952
Total	\$ 26,387,793

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	Total
0 Bedroom		48	48
1 Bedroom		8	8
2 Bedroom	1	0	1
Total	1	56	57

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$12,000,000 is recommended. The project is competing for TCAC 4% federal and state tax credits. HCID funds will represent \$210,526 per unit and 45% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 9, 2018

Missouri and Bundy Apartments
11950 W. Missouri Avenue
Los Angeles, CA 90025

New Construction
Council District No: 11

PROJECT DESCRIPTION

Missouri and Bundy Housing, a new construction ground-up development located at 11950 Missouri Avenue in West Los Angeles. The project is designed as one contemporary 6-story stucco building that shall be clad in synthetic vertical wood slats. This new affordable community will include a total of 74 units consisting of 40 one-bedrooms, 19 two-bedrooms, 14 three-bedrooms and one three-bedroom manager's unit. One-bedroom units will be approx. 600 sq. ft, two-bedrooms about 800 sq. ft. and three-bedrooms about 1,200 sq. ft. Additionally, the project will provide many resident-benefiting social and supportive services that are run and/or coordinated on-site by Thomas Safran & Associates Inc. (TSA Management, the project's property manager.

The target populations for this project are low income families. 36 units will be set aside for low incomes families that earn below 60% of Area Median Income. The remaining 37 units (or 50% of the total) shall be reserved as permanent supportive housing (PSH) for homeless and chronically homeless families with young children at or below 30% of Median Income. Of the PSH units, 19 units (or 51%) will be reserved for chronically homeless as assessed with a high acuity score through the Coordinated Entry System (CES). The remainder of the PSH units will serve individuals with mid-to-low level acuity scores as assessed through the Coordinated Entry System (CES), who may not meet the definition of "chronically homeless

The physical amenities at the development may be categorized by residential units and commercial space. All residential units will have a refrigerator, an oven and stove, dishwasher, microwave, carpet, window coverings, air conditioning and heating, and cable and internet hook-ups. All units will be served by an elevator. And there will be one level of at-grade gated parking garage accessed from Missouri Avenue.

Central community space will include wonderful amenities for the residents including a community kitchen, TV with seating area, a computer room, a fitness room, central laundry facilities, onsite management offices, and case workers offices. The project will also have well-designed outdoor courtyard landscaped areas, playground and BBQ. The garage level shall have dedicated long term bicycle parking for residents.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan (tax exempt bonds), and tax credit equity from the sale of 4% Low Income Housing Tax Credits (LIHTC) funds, State Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC) and HACLA's project based vouchers.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The site is currently owned by the City of Los. The applicant, Missouri and Bundy Housing, LP has an executed Exclusive Negotiating Agreement with the City of Los Angeles to ground lease the property.

The Administrative General Partner of the Missouri and Bundy Housing LP is Missouri and Bundy Housing, LLC and its sole member is Thomas L. Safran. The Managing General Partner will be a to-be-determined non-profit corporation

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$11,520,000
AHP/FHLBSF	730,000
CCRC Permanent Loan	7,200,000
Deferred Dev Fee	1,028,054
Tax Credit Equity	13,143,667
Total	\$33,621,721

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	50% AMI	60% AMI	Total
1 Bedroom		22	6	12	40
2 Bedroom		10	3	6	19
3 Bedroom	1	5	3	6	15
Total	1	37	12	24	74

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$11,520,000 is recommended. The project is competing for TCAC federal tax credit. HCID funds will represent \$155,676 per unit and 34% of the total development cost. The HCID funding is leveraged with conventional financing, deferred developers fee, AHP, and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT

January 9, 2018

**Isla de Los Angeles
283 W. Imperial Hwy
Los Angeles, CA 90061**

**New Construction
Council District No: 8**

PROJECT DESCRIPTION

The proposed project is located in the corner of Imperial Highway and Broadway Avenue within Service Planning Area 6 in Council District 8. The project site is currently owned by Los Angeles Housing and Community Investment Department and was awarded to Clifford Beers Housing through a Request for Proposal process. The project site is a vacant triangular parcel, flat and paved consisting of approximately 18,000 sq. ft. The project will be a development constructed from recycled shipping containers for 53 individuals, and one manager's unit for a total of 54 new studio apartments. In addition to the 54 residential units, the project will also provide one commercial space, on-grade parking, a community room with kitchen on site, a secured pedestrian entry, management offices, and laundry facilities.

The apartments will be fully furnished and will include kitchens, full bathrooms, and living spaces. The project will utilize green design elements, orientation of the structure, and specific landscaping to minimize noise and air pollution from the 110 freeway to the west and the 105 freeway to the south. The project will also incorporate all applicable accessibility standards and will utilize a CASp consultant to verify conformance with HHH requirements.

The project will have 53 units for homeless individuals and one unit for property manager. Of the fifty-three households, twenty-four will be for chronically homeless who have severe mental illness and/or are frequent utilizers of the Department of Health Services programs and services. All units are restricted to households with incomes less than or equal to 40 percent of Area Median Income (AMI).

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan, and tax credit equity from the sale of 4% Low Income Housing Tax Credits (LIHTC) funds and State Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC).

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with Clifford Beers Housing as the Managing General Partner, American Family Housing as the Administrative General Partner, and a to be determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$11,660,000
HCID-Land	1,325,000
Permanent Loan	1,911,422
Deferred Dev Fee	123,180
GP Capital	100
Tax Credit Equity	6,741,868
Total	\$ 21,761,570

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom		24	29	0	0	0	53
1 Bedroom		0	0	0	0	0	0
2 Bedroom	1	0	0	0	0	0	0
Total	1	24	29	0	0	0	53

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$11,660,000 is recommended. The project is competing for TCAC funds. HCID funds will represent \$220,000 per unit and 54% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

**STAFF REPORT
January 10, 2018**

**Firmin Court
418 N Firmin St. Los Angeles, CA 90026**

**New Construction
Council District No: 1**

PROJECT DESCRIPTION

Firmin Court (the "Project") is located in the Historic Filipinotown neighborhood, west of Downtown Los Angeles and south of the Silverlake and Echo Park neighborhoods. The area is undergoing revitalization, as with other neighboring areas around the greater Downtown LA. The site is located within the Tier 2 transportation corridor, with a major bus transit stop within 750'. In addition to its proximity to Downtown LA, just east of the 110 Freeway, Firmin Court is located within walking distance from the Betty Plasencia Elementary School and the Edward Roybal Learning Center. The Project is also within half mile of The Good Samaritan Hospital.

The Project consists of 63 affordable housing units plus a property manager unit for a total of 64 residential units including studios, one-bedroom, 2-bedroom, and 3-bedroom units in addition to a community room featuring a fully equipped kitchen and outdoor landscaped areas for the benefit of its residents. The Project will house 42 permanent supportive housing units with on-site counseling services.

Target population is persons experiencing homelessness in Los Angeles County and meet the DHS eligibility requirements for ICMS services. The project serves the 28-year-old mission of Decro Corporation to provide affordable, safe, secure housing for low-income individuals and to address the homeless crisis in the City of Los Angeles. The project will provide 42 units of permanent supportive housing with residents to receive services from St. Joseph Center, a well-established and well-regarded provider of comprehensive programs designed to meet the different needs of persons formerly homeless and ensure that they can integrate into the mainstream population.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of Federal Low-Income Housing Tax Credits (an annual allocation of \$1,090,982 in 4% Low-Income Housing Tax Credits), Project Based Vouchers (HACLA), FHA-insured mortgage under the 221(d)(4) program from Rose Community Capital, AHP funds from the Federal Home Loan Bank, Wells Fargo Bank or another similar financial institution for construction financing. Decro has submitted applications to Century Housing, the Local Initiatives Support Corporation, and Genesis LA for an acquisition loan. The acquisition loan would be taken out at close of the construction loan.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

Two parcels are owned by homeowners and the third lot is vacant and owned by a trust. Decro Corporation intends to acquire the parcels and then after the close of escrow, it will form a California limited partnership and transfer ownership of the parcels to that partnership.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	11,940,000
Tranche B (Sec 8 Loan)	2,237,345
AHP/FHLBSF	640,000
Conventional/Bank Financing	4,066,155
Deferred Dev Fee	482,461
4% Tax Credit Equity	10,690,559
Total	\$ 30,056,520

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom	0	29	0	0	0	0	29
1 Bedroom	0	13	0	0	0	4	17
2 Bedroom	1	0	0	0	0	13	14
3 Bedroom	0	0	0	0	0	4	4
Total	1	42	0	0	0	21	64

FUNDING RECOMMENDATION

An HCIDLA funding commitment of up to \$11,940,000 is recommended. HCID funds will represent \$186,562 per unit and 39.7% of the total development cost. The HCID funding is leveraged with tax credit equity, federal grant funds (if secured), and a conventional bank loan.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT

1/10/2018

**Hartford Villa Apartments
445 S Hartford Ave. Los Angeles, CA 90017**

**New Construction
Council District No: 1**

PROJECT DESCRIPTION

SRO Housing proposes developing a new construction Permanent Supportive Housing project consisting of 101 total units (100 Studio Apartments and 1 1BR Manager's Unit). The target special needs population is 75 VA VASH Homeless Veterans some of which are Chronically Homeless and 25 Chronic Homeless persons with Mental Illness. The Hartford Villas site is a currently VACANT lot at 445-459 S Hartford Street in the Central City West Area of Los Angeles. The proposed project consists of new construction of one seven-story building containing 100 studio apartments with an average of 360 - 400 SF plus one 1-bedroom manager's apartment. Two levels of secured subterranean parking garage for 101 spaces are also included. Each unit includes a private bathroom and a kitchenette. All units will be fully furnished with refrigerator, microwave oven, double bed, dresser, night stand and dining table and chairs. The units will include closet space and heating and air conditioning. All utilities are paid for by the landlord. The project will also include indoor community recreation space, including community kitchen and lounge areas. There will also be property management and social service offices onsite for the residents.

The Hartford Villa Apartments is intended for homeless and chronically homeless individuals of which 75 will be homeless/chronically homeless VASH-eligible veterans and 25 will be homeless/chronically homeless mentally ill individuals. All units are targeted to incomes at or below 50% and 30% of area median income. All rents will have subsidies from PBV or PBVASH previously committed by HACLA. SRO Housing Corp.'s numerous projects in downtown Los Angeles serving special needs tenants primarily utilize a Coordinated Entry System (CES) to fill vacancies.

PROJECT FINANCE SUMMARY

The sources of permanent financing will be: Tax Credit Equity \$22,500,000. The project has been approved for the HCID Pipeline for submittal of an application to TCAC in February 2018, and the investor is committed to purchasing the credits awarded. HCID Prop HHH funds of \$12,000,000 which are the subject of this application. HCID AHTF PSHP funds of \$2,211,535, for which a commitment letter has previously been issued. County of Los Angeles funds of \$1,500,000, for which an enforceable commitment letter has previously been issued. The loan is payable from residual receipts. AHP funds awarded through Union Bank of \$1,000,000 which has been awarded by the Federal Home Loan Bank. The loan will be interest free and deferred. Hartford Villas has commitments from HACLA for 75 PBVASH and 25 PBV, which will subsidize the rents on all of the affordable units in the project. This subsidy also supports a "Tranche B" loan of \$3,948,000 committed by Chase Bank with a 15-year term and amortization to match the term of the subsidy contract

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The site is currently owned by Hartford Villa Apartments, L.P., which partnership will retain ownership and develop and own the Hartford Villa Apartments for the long term. The general partner of the L.P. is SRO Commercial LLC, whose sole member is Single Room Occupancy (SRO) Housing Corporation, a California non-profit corporation. The limited partnership interests will be sold to the tax credit investor, which will then own 99.99% of the interests. The General Partner will retain the controlling .01% interest in the project, and be responsible for all aspects of the development and management of the project.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	12,000,000
HCID (previously awarded AHTF)	2,211,535
AHP/FHLBSF	1,000,000
HACOLA-COI	1,500,000
Tranche B (Sec. 8 Loan)	3,948,000
Tax Credit Equity	22,500,000
Total	\$ 43,159,535

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom		50	0	0	50	0	100
1 Bedroom	1	0	0	0	0	0	1
2 Bedroom		0	0	0	0	0	0
Total	1	50	0	0	50	0	101

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment in the amount of \$12,000,000 is recommended. The project is competing for 9% TCAC funds. HHH funds will represent \$120,000 per unit and 28% of the total development cost. The HCID funding is leveraged with a “Tranche B” loan from Chase bank and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 9, 2018

PATH Villas Montclair
4220 Montclair Street
Los Angeles 90018

New Construction
Council District No: 10

PROJECT DESCRIPTION

Located on a vacant site in the Jefferson Park neighborhood, PATH Villas Montclair is a five-story permanent supportive housing development of 45 studio apartments and one two-bedroom manager's unit. Of the 45 units, 23 will be reserved for individuals experiencing chronic homelessness, and 22 will be reserved for individuals experiencing homelessness with special needs.

Amenities in the residential units include a refrigerator, kitchen sink, stovetop, storage cabinet and a full bathroom. A community room, supportive service and property management offices, bicycle storage, and 21 ground-level parking spaces will be situated on the first floor. An outdoor courtyard and covered terrace will be located on the second floor in the center of the structure, with the residential units on the second through fifth floors. A shared laundry facility will be located on the fourth floor.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a loan from the Community Development Commission of the County of Los Angeles (LACDC), a conventional loan, equity from the sale of 4% Low Income Housing Tax Credits (LIHTC), deferred developer fee, and General Partner equity.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a Limited Partnership with LINC Housing Corporation as the Managing General Partner and a to-be-determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH-Housing	\$9,900,000
LACDC	3,000,000
Permanent Loan	1,387,009
Tax Credit Equity	10,605,032
Deferred Developer Fee	1,110,458
General Partner Equity	100
Total	\$26,002,599

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom		23	0	0	22	0	45
1 Bedroom		0	0	0	0	0	0
2 Bedroom	1	0	0	0	0	0	1
Total	1	23	0	0	22	0	46

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$9,900,000 is recommended. The project will apply for non-competitive 4% LIHTC in an upcoming tax credit allocation round. HCID funds will represent \$215,217 per unit and 38.1% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

**STAFF REPORT
January 10, 2018**

**433 Vermont Apartments
433 South Vermont Avenue
Los Angeles, CA 90020**

**New Construction
Council District No: 10**

PROJECT DESCRIPTION

433 Vermont Apartments will be the new construction of 72 units for low-income seniors and special needs population. The 72 units will consist of 57 One Bedroom units, 14 Two Bedroom units, and 1 Two Bedroom market rate manager's unit.

The project will also include approximately 1,034 SF of resident community space, a 347 square foot onsite gym, and 3,549 square feet of podium level open courtyard, exclusively for the residents. The ground floor of the building will be designated as community recreation space to be operated and maintained by the YMCA. The project will include 12,500 square feet of community recreation space. This includes two community spaces, a concession room, an office, as well as a meeting room.

433 Vermont Apartments project will serve three separate senior subpopulations, all of whom are 62 years or older. 18 of the units will target individuals who are chronically homeless. An additional 18 units will serve homeless seniors that currently utilize service from the County of Los Angeles, and 35 units will serve low income seniors without any additional restrictions or special needs.

On-site supportive services will be provided by The People Concern (formerly OPCC/LAMP). Services will include: case management and service coordination; volunteer coordination; community building, social, and recreational activities, including resident council; outreach and engagement of residents; assistance with independent living skills, including money management; linkages to mainstream resources, healthcare, dental care, substance abuse, and mental health services; and self-help groups/peer services.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan, funding from the County of Los Angeles, and tax credit equity from the sale of 9% Low Income Housing Tax Credits (LIHTC) funds and State Housing Tax Credits from the California Tax Credit Allocation Committee (CTCAC).

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with Western Community Housing as the Managing General Partner, and a to-be-determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$7,200,000
Permanent Loan Tranche A	\$1,840,002
DHS Overhang Loan Tranche B	\$3,992,988
PBV Overhang Loan Tranche B	\$890,382
County Donated Land	\$6,850,000
County CDC	\$1,500,000
County SNHP	\$2,175,000
AHP	\$710,000
Deferred Developer Fee	\$62,971
Tax Credit Equity	\$23,667,786
Total	\$ 48,889,129

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	45% AMI	50% AMI	60% AMI	Total
0 Bedroom		0	0	0	0	0	0
1 Bedroom		34	0	0	23	0	57
2 Bedroom	1	2	0	0	1	11	15
Total	1	36	0	0	24	11	72

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$7,200,000 is recommended. The project is competing for a 9% Tax Credit Allocation. HCID funds will represent \$100,000 per unit and 14.7% of the total development cost. The HCID funding is leveraged with conventional financing, funding from the County of Los Angeles, and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 9, 2018

Residences on Main
6901 S. Main Street
Los Angeles, CA 90003

New Construction
Council District No: 9

PROJECT DESCRIPTION

The proposed 50-unit permanent supportive housing project will be developed on .68 acres with frontage on S. Main Street and serve very low income Transition Aged Youth (TAY) and families. The property is comprised of two sites: Site 1 is 6901 S. Main Street and is a City-owned site that is vacant; and Site 2 is 6917 S. Main Street and currently improved with two dwelling units. Site 2 residents will be relocated pursuant to all applicable laws and requirements, and the improvements will be demolished. The craftsman styled urban infill project will have approximately 37,850 square feet of residential space. The project will be comprised of 21 studios, 15 one bedroom units, 6 two bedroom units (including one manager unit), and 8 three bedroom units, located in one four-story building. All units will come fully furnished. The property is well located along several transit lines and within two miles of the Metro Blue Line. The location will provide residents with convenient public transportation throughout Southern California.

The property will have a large community garden and community room, equipped with games, books, a television, and furniture and tables, on the ground level. On the second level the property will have an expertly landscaped courtyard with a fully equipped tot lot and outdoor seating, a fully furnished community room with technology available to residents, and a laundry facility. The property will also offer safe, enclosed bicycle parking for 54 cycles, as well as 25 parking stalls.

The social service components for the residents include case management staff that will provide case management, services coordination, and direct support services that address benefits advocacy, employment, mental illness, substance abuse, and disabling or chronic health conditions. For TAY and the children of families housed at the project, tailored services to support linkage to education supports, enrollment in school and/or vocational programs will also be provided. Families will be supported in connecting to subsidized child care if needed. The project will provide 100% permanent supportive housing to families and TAY experiencing homelessness that are in need of long-term, comprehensive supportive services, and will include 25 units for TAY and 24 units for families.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan, tax-exempt bond financing, tax credit equity from the sale of 4% Low Income Housing Tax Credits (LIHTC) funds, Los Angeles

County Community Development Commission loan, Federal Home Loan Bank Affordable Housing Program grant, and a HCIDLA land loan.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with LA Family Housing and the Coalition for Responsible Community Development as the Managing General Partner, , and a to be determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$8,800,000
HCID-Land Loan	1,120,000
Permanent Loan	2,292,600
FHLB AHP	700,000
LA County CDC	3,097,000
Accrued Interest	61,600
GP Capital Contribution	253,327
Tax Credit Equity	8,124,115
Total	\$ 24,448,642

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	50% AMI	Total
0 Bedroom		21	0	21
1 Bedroom		15	0	15
2 Bedroom	1	1	4	6
3 Bedroom		0	8	8
Total	1	37	12	50

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$8,800,000 is recommended. The project is competing for TCAC funds. HCID funds will represent \$179,592 per unit and 36% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department

STAFF REPORT
January 10, 2018

Summit View Apartments
11681 Foothill Boulevard
Los Angeles, CA 91342

New Construction
Council District No: 7

PROJECT DESCRIPTION

The proposed 49-unit permanent supportive housing project will be developed on 3.03 acres with frontage on Foothill Boulevard, Kagel Canyon Street and Gladstone Avenue, and serve very low income homeless and chronically homeless veterans. The site is currently undeveloped and vacant. The California ranch styled urban project will have approximately 36,578 square feet of residential space. The project will be comprised of 37 studios, 11 one bedroom units, and 1 two bedroom manager unit, located in four three and four-story buildings. The property is well located along several transit lines and will provide residents with convenient public transportation throughout Southern California.

The property will have a large terraced community garden with a walking trail, a community room for activities and social service programming and laundry rooms. There will also be office space for on-site social workers and the property management team. The property will have 17 parking stalls. The development is designed to meet accessibility requirements – 10% of the units (5 units) will comply with the Uniform Federal Accessibility Standards (UFAS) requirement for mobility accessibility and an additional 4% of the units (2 units) will comply with UFAS requirements for sensory accessibility. All residential units will include full bath, kitchenette, and come furnished (with all utilities paid) for residents.

The social service components for the residents include case management; mental health support and services; addiction/recovery services; employment and/or benefits advocacy; assistant in strengthening independent living skills; and building a more comprehensive natural social support system. Emphasis will be placed on stabilization and the overall well-being of tenants. The added reinforcement of access to on-site case managers will serve to ensure prompt interventions and prevention services to retain tenant stability. LA Family Housing (LAFH), the lead services provider, is confident that the nature and level of services proposed for the target population are appropriate and necessary to increase the incidence of successful housing retention for tenants.

PROJECT FINANCE SUMMARY

In addition to the Proposition HHH Permanent Supportive Housing Loan Program (HHH) loan, the proposed financing is comprised of a conventional loan, tax-exempt bond financing, tax credit equity from the sale of 4% Low Income Housing Tax Credits (LIHTC) funds, Los Angeles County Community Development Commission loan, deferred developer fee, and a Federal Home Loan Bank Affordable Housing Program grant. The project is also submitting for HUD-VASH vouchers in the December 2017 HACLA PBV round.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by a tax credit Limited Partnership with LA Family Housing and Many Mansions as the Managing General Partner, and a to be determined tax credit investor as the limited partner.

PERMANENT FUNDING SOURCES

Source	Amount
HHH	\$8,530,000
Permanent Loan	2,583,000
FHLB AHP	700,000
LA County CDC	3,000,000
LACDC Deferred Interest	107,300
Deferred Developer Fee	484,399
Tax Credit Equity	8,893,528
Total	\$ 24,298,227

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	50% AMI	Total
0 Bedroom		27	10	37
1 Bedroom		9	2	11
2 Bedroom	1	0	0	1
Total	1	36	12	49

FUNDING RECOMMENDATION

An HCIDLA HHH funding commitment of up to \$8,530,000 is recommended. The project is competing for TCAC funds. HCID funds will represent \$174,082 per unit and 35% of the total development cost. The HCID funding is leveraged with conventional financing and tax credit equity.

Prepared By: Los Angeles Housing and Community Investment Department