

REL0000000047.MSG

Date: 11 Jan, 2022 3:33:35 AM

Subject: HCD's Response to Skid Row

From: Weber, Rebecca@HCD

To: Lee Raagas <lee@skidrow.org> ; Simon Ha <sha@steinberghart.com>

CC: rex.b.jones@wellsfargo.com ; dmahoney@pebuilders.com ; pgregerson@jwchinstitute.org

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<joanne.cordero@skidrow.org> ; Galvao, Pedro@HCD ; Tran-Houangvilay, Stephanie@HCD

; Suggs, Lindy@HCD ; Losoya, Kim@HCD ; Seeger, Jennifer@HCD ; Le, Mai@HCD ; Caruthers,

Robert@HCD ; Garvin, Cosmo@HCD ; Fletcher, Reginald@HCD

Attachments:

Response to SRHT 1-10-2022.pdf

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670,
Sacramento, CA 95833 or
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(916) 263-2771
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January 10, 2022

Lee Raagas, Chief Executive Officer
Skid Row Housing Trust
1317 East Seventh Street
Los Angeles, CA 90021

Re: Portfolio Stabilization

Dear Lee Raagas:

The Department of Housing and Community Development (the "Department"), LA County Department of Health Services ("DHS"), LA County Department of Mental Health ("DMH"), Housing Authority of the City of Los Angeles ("HACLA"), Los Angeles County Development Authority ("LACDA"), and Los Angeles Housing Department ("LAHD"), are in receipt of the following reports from Skid Row Housing Trust ("SRHT"):

- SHRT Portfolio Stabilization Summary v1 (received on December 27, 2021)
- SHRT Portfolio Stabilization Plan v2 (received on December 28, 2021)
- SRHT Portfolio Stabilization Summary v2 (received on December 28, 2021)
- SRHT Portfolio Stabilization Execution Update 12.30.21 v3 (received on January 3, 2022)
- SRHT Portfolio Stabilization Execution Update 01.10.22 v1 (received on January 10, 2022)

Combined, these reports are collectively referred to herein as the "Plan" and are in response to issues raised by public funders during our call on December 16, 2021, in which SRHT committed to detailing specific action steps to be taken within the next 30 days to address ongoing compliance issues.

The Department has reviewed the Plan and found it to be insufficient. The Plan lacks specific details, concrete action steps and dates as agreed upon during our conversation on December 16, 2021. For example, under Portfolio Oversight for the week of 12/27/2021 – 12/30/2021, the Plan states "update HCD audit status with documentation, and forward to HCD." It doesn't detail what the audit is for, or which project and since submittal of the Plan, the Department has yet to receive any documentation to address this deliverable. The Department expects to receive a copy of each report or audit that SRHT performs in the Plan.

Additionally, the Plan is missing information to adequately address the following:

- Pipeline Project Status:
 - Southeast 1 - Please provide a list of action steps necessary to ensure close of escrow by the specified date. The defaulted Wells Fargo construction loan's seventh extension was valid through December 31, 2021. The Department gave SRHT a deadline to close escrow by March 31, 2022, or the VHHP funds will be disencumbered.
 - Buildings newly placed in service (e.g., Flor 401, SP7, 649 Lofts, the Senator, and Southeast 1) – Please provide update as to expected delivery dates for all new buildings. These properties are being delivered months later than expected.
 - Delays in lease-up for Flor 401, SP7, 649 Lofts, and the Senator. Please explain how you will address these delays, and when the lease-ups will be completed.
- Edward Hotel - The Plan must include specific actions to bring the Edward Hotel back into compliance under the Department's Regulatory Agreement, no later than March 31, 2022. The Plan should detail specific steps SRHT will take to ensure the property is ready for re-occupancy. The Hotel has been vacant since March 2018. This vacancy is completely unacceptable and, if continued, will lead to the Department taking legal action to repossess the Hotel.
- Property Management at the 649 Lofts - Please explain how you will address the lack of property management at this and other properties within the next 30 days.
- Cecil Hotel - Please explain in detail SHRT's involvement in the hotel. Is SRHT now managing this 600-unit project? If so, how will this demand on your capacity affect your ability to meet your obligations for the other projects in your portfolio? Please also explain what services, if any, you are providing to the tenants.
- Improved Organizational capacity - SRHT continues to be out of compliance with Department reporting requirements and mandatory loan payments as outlined below. SRHT must submit all required reports and past due payments immediately.

Past Due or Incomplete Reports		
Name of Project	2022 Schedule of Rental Income	2022 Operating Budget
Abbey Apartments	X	
Edward Hotel		X
Hart Hotel	X	
New Carver	X	
New Pershing	X	
Simone 2015		X
Star Apartments	X	X

Outstanding Past Due Payments			
Name of Project	.42%	2018 Residual Receipts	2017 Residual Receipts
Charles Cobb	\$17,860.00		
New Carver	\$29,073.00		
New Genesis	\$3,178.00		
New Pershing	\$17,507.00	\$2,043.00	\$2,041.00
Produce Hotel	\$40,498.00		
Skid Row Central 1	\$15,492.00		
Star Apartments	\$39,480.00		
Total:	\$163,088.00	\$2,043.00	\$2,041.00
Grand Total:	\$167,172.00		

The Department has received confirmation that SRHT plans to move forward with the closing of the Senator and 649 Lofts project. The Department will not proceed with the preparation of the loan documents or disbursement of funds for any SRHT projects until the Plan is revised to show specific action steps and deliverables and all outstanding items listed above are fully addressed to the satisfaction of the Department.

If you have any questions, please contact Rebecca Weber at rebecca.weber@hcd.ca.gov.

Sincerely,

Lindy Suggs
 Branch Chief, Asset Management & Compliance
 Division of State Financial Assistance

Cc:

LA County Department of Health Services
 LA County Department of Mental Health
 Housing Authority of the City of Los Angeles
 Los Angeles County Development Authority
 Los Angeles Housing Department

File: REL0000000048.MSG 403456 bytes

RE: HCD's Response to Skid Row - Edward Hotel

From: [Simon Ha <sha@steinberghart.com>](mailto:sha@steinberghart.com)

To: Weber, Rebecca@HCD ; [Lee Raagas <lee@skidrow.org>](mailto:lee@skidrow.org)

CC: rex.b.jones@wellsfargo.com ; dmahoney@pebuilders.com ; pgregerson@jwchins.com ; [Daniel.huynh@lacity.org](mailto:daniel.huynh@lacity.org) ; [Matthew.lust@lacda.org](mailto:matthew.lust@lacda.org) ; timothy.young@hacla.org ; sander.schmidt@lacda.org ; cmitchell@dhs.lacounty.gov ; amartinez@dhs.lacounty.gov ; [Kristine.Khachatrian@hacla.org](mailto:kristine.khachatrian@hacla.org) ; simonha.skidrow@gmail.com ; [Sierra Atilano <sierra.atilano@skidrow.org>](mailto:Sierra.Atilano@skidrow.org) ; [Antonio Le Mons <antonio.le.mons@skidrow.org>](mailto:antonio.le.mons@skidrow.org) ; [Nadia Litovskaya <nadia.litovskaya@skidrow.org>](mailto:nadia.litovskaya@skidrow.org) ; [Khodorkovsky <emil@forbix.com>](mailto:emil@forbix.com) ; [David Waite <DWaite@coxcastle.com>](mailto:DWaite@coxcastle.com) ; [D <dskidmore@crainandassociates.com>](mailto:dskidmore@crainandassociates.com) ; [Patrick Spillane <patrick.spillane@outlook.com>](mailto:patrick.spillane@outlook.com) ; ballen@burnhambenefits.com ; [Ben Henwood <bhenwood@usc.edu>](mailto:bhenwood@usc.edu) ; [Jennifer <jchristianherman@gmail.com>](mailto:jchristianherman@gmail.com) ; [Max Kolomeyer <max.kolomeyer@forbix.com>](mailto:max.kolomeyer@forbix.com) ; [Katherine.Perez@arup.com](mailto:katherine.perez@arup.com) ; [Carlos VanNatter <carlos.vannatter@hacla.org>](mailto:carlos.vannatter@hacla.org) ; ryan.mulligan@hacla.org ; [Maria Funk <MFunk@dmh.lacounty.gov>](mailto:MFunk@dmh.lacounty.gov) ; [Leepi S <leepi.s@dmh.lacounty.gov>](mailto:leepi.s@dmh.lacounty.gov) ; [Ann Sewill <ann.sewill@lacity.org>](mailto:ann.sewill@lacity.org) ; [Oisin O <oisin.o@dmh.lacounty.gov>](mailto:oisin.o@dmh.lacounty.gov) ; OO'shaughnessy@dhs.lacounty.gov ; [Sarah Mahin <smahin@dhs.lacounty.gov>](mailto:smahin@dhs.lacounty.gov) ; greg.smith@skidrow.org ; [Christin Doyle <CDoyle@dhs.lacounty.gov>](mailto:CDoyle@dhs.lacounty.gov) ; [Michael Desimone <michael.desimone@lacity.org>](mailto:michael.desimone@lacity.org) ; [Diana Skidmore <dskidmore@koacorp.com>](mailto:dskidmore@koacorp.com) ; PGregerson@jwch.org ; [Tracie Mann <tracie.mann@lacda.org>](mailto:tracie.mann@lacda.org) ; [Joanne Cordova <joanne.cordova@skidrow.org>](mailto:Joanne.Cordova@skidrow.org) ; Galvao, Pedro@HCD ; Tran-Houangvilay, Stephanie@HCD ; Suggs, Lindy@HCD ; Jennifer@HCD ; Le, Mai@HCD ; Caruthers, Robert@HCD ; Garvin, Cosmo@HCD

Sent time: 14 Jan, 2022 7:14:44 AM

Rebecca,

Thank you. One clarification. No one was evicted. All the residents were moved to other buildings.

We will follow your direction and provide whatever you need per your request.

Thank you,

Simon Ha AIA, LEED AP
Partner | [steinberghart](http://steinberghart.com)
d. [213.599.4378](tel:213.599.4378)

----- Original message -----

From: "Weber, Rebecca@HCD" <Rebecca.Weber@hcd.ca.gov>

Date: 1/13/22 11:02 PM (GMT-08:00)

To: Simon Ha <sha@steinberghart.com>, Lee Raagas <lee@skidrow.org>

Cc: Sierra Atilano <sierra.atilano@skidrow.org>, Antonio Le Mons <antonio.le.mons@skidrow.org>, Nadia Litovskaya <nadia.litovskaya@skidrow.org>, rex.b.jones@wellsfargo.com, Emil Khodorkovsky <emil@forbix.com>, David Waite

<DWaite@coxcastle.com>, Diana Skidmore <dskidmore@crainandassociates.com>, Patrick Spillane <patrick.spillane@outlook.com>, Diane Ballen <ballen@burnhambenefits.com>, dmahoney@pebuilders.com, pgregerson@jwchinstitute.org, Ben Henwood <bhenwood@usc.edu>, Jennifer Christian Herman <jchristianherman@gmail.com>, Max Kolomeyer <max.kolomeyer@forbix.com>, Katherine Perez <Katherine.Perez@arup.com>, lynn.katano@lacda.org, Carlos VanNatter <carlos.vannatter@hacla.org>, 'Ryan Mulligan' <ryan.mulligan@hacla.org>, Maria Funk <MFunk@dmh.lacounty.gov>, Leepi Shimkhada <lshimkhada@dhs.lacounty.gov>, Ann Sewill <ann.sewill@lacity.org>, Daniel.huynh@lacity.org, Matthew.lust@lacda.org, timothy.young@hacla.org, Darlene.aikens@lacda.org, sander.schmidt@lacda.org, Oisín O'Shaughnessy <OO'shaughnessy@dhs.lacounty.gov>, cmitchell@dhs.lacounty.gov, amartinez@dhs.lacounty.gov, khamilton@dhs.lacounty.gov, Sarah Mahin <smahin@dhs.lacounty.gov>, "Greg F. Smith" <greg.smith@skidrow.org>, Kristine.Khachatryan@hacla.org, Christin Doyle <CDoyle@dhs.lacounty.gov>, Michael DeSimone <michael.desimone@lacity.org>, Diana Skidmore <dskidmore@koacorp.com>, simonha.skidrow@gmail.com, "Paul.Gregerson" <PGregerson@jwch.org>, Tracie Mann <tracie.mann@lacda.org>, Joanne Cordero <joanne.cordero@skidrow.org>, "Galvao, Pedro@HCD" <Pedro.Galvao@hcd.ca.gov>, "Tran-Houangvilay, Stephanie@HCD" <Stephanie.Tran-Houangvilay@hcd.ca.gov>, "Suggs, Lindy@HCD" <Lindy.Suggs@hcd.ca.gov>, "Losoya, Kim@HCD" <Kim.Losoya@hcd.ca.gov>, "Seeger, Jennifer@HCD" <Jennifer.Seeger@hcd.ca.gov>, "Le, Mai@HCD" <Mai.Le@hcd.ca.gov>, "Caruthers, Robert@HCD" <Robert.Caruthers@hcd.ca.gov>, "Garvin, Cosmo@HCD" <Cosmo.Garvin@hcd.ca.gov>, "Fletcher, Reginald@HCD" <Reginald.Fletcher@hcd.ca.gov>
Subject: HCD's Response to Skid Row - Edward Hotel

Hello Simon,

Evicting all the tenants from the Edward Hotel is not a mere violation of Department's protocol, as you stated below. It is a serious violation of the law and the Department's mission. The Edward has never had HVAC or an elevator in the 25 years prior to the removal of the tenants in March 2018. It is not merely the Department's desire or best solution to reoccupy the building, but was a condition of receiving the Department's California Housing Rehabilitation Program (CHRP) loan and is a requirement of the CHRP loan documents.

As I previously mentioned, if you would like to meet with the Department to discuss the Edward Hotel, please provide us with some dates and times of Skid Row's availability. If not, we look forward to receiving your plan and to have the Edward fully occupied no later than March 31, 2022.

Sincerely,

Rebecca Weber

Section Chief – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400| Sacramento, CA 95833

* rebecca.weber@hcd.ca.gov | ((916) 263-1010

[\[landlordtenant.dre.ca.gov\]](http://landlordtenant.dre.ca.gov)

From: Simon Ha <sha@steinberghart.com> **Sent:** Tuesday, January 11, 2022 1:06 PM **To:** Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Lee Raagas <lee@skidrow.org> **Cc:** Sierra Atilano <sierra.atilano@skidrow.org>; Antonio Le Mons <antonio.le.mons@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>; rex.b.jones@wellsfargo.com; Emil Khodorkovsky <emil@forbix.com>; David Waite <DWaite@coxcastle.com>; Diana Skidmore <dskidmore@crainandassociates.com>; Patrick Spillane <patrick.spillane@outlook.com>; Diane Ballen <ballen@burnhambenefits.com>; dmahoney@pebuilders.com; pgregerson@jwchinstitute.org; Ben Henwood <bhenwood@usc.edu>; Jennifer Christian Herman <jchristianherman@gmail.com>; Max Kolomeyer <max.kolomeyer@forbix.com>; Katherine Perez <Katherine.Perez@arup.com>;

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Subject: RE: HCD's Response to Skid Row

Hi Rebecca,

Thank you for the response. Maybe we misunderstood but Assistant Director Seeger suggested we meet to discuss solutions for the Edward in a separate meeting since the focus of the discussion at the HCD + Local Funder meeting was to immediately work on operational issues to better serve our residents for the 30 day Corrective Action. Forgive us if we misinterpreted the next steps on Edward.

As for the direction on Edward, the letter states that we need to provide a plan to reopen the SRO building for occupancy by end of March. If we don't comply, you will take legal action. If that's the only solution HCD will accept? I understand the outrage looking at it from the high level. I'm also outraged to have empty units sitting vacant when thousands of people are living on the streets in Skid Row. Edward is a building without HVAC and elevator with many accessibility issues. Is it HDC's desire to reoccupy the building no matter the circumstance?

On Edward, we did make mistakes. Even if the people that made the decisions are no longer with the company, it is still our mistake to fix and we'll own it. Just for the record, this wasn't done out of ill intent. Everyone who works or volunteers for Skid Row Housing Trust believes that we are doing our part to end homelessness. Without that belief, I don't think anyone would last a day working in Skid Row. On Edward, our intention was to build better housing by replacing an old building in need of upgrade in our portfolio. Instead of modernizing an old SRO building, we decided to make better permanent homes to house the residents for the next 50+ years. It was with this mission in mind we proceeded with redevelopment of the site. We've spent millions of dollars in predevelopment to get the project shovel ready. Unfortunately, that's when we uncovered that mistakes were made and we violated the protocol with HCD. I wish we can turn back time to go back and get HCD support for what we were trying to accomplish.

If HCD's think the best solution is to reoccupy the building now, we will do that. We wanted to discuss with HCD on potential solutions and weigh the options to remedy the mistake we've made. We hoped that the meeting Assistant Director Seeger suggested would start the conversation. Both HCD and Skid Row Housing Trust are trying to serve the same mission to end homelessness. We have areas to improve but people who are coming to work every day in one of the most unfortunate places on earth believes they are doing something positive. We need to do better to ensure health, wellness, and safety of our residents. And we will continue to work on that. I hope we can work together to get us back on the right track. We've always considered the agencies our partners, not funders. We hope to become partners again.

Let us know if there will be a conversation to work things out.

Thank you,

Simon Ha AIA, LEED AP Partner [Steinberg Hart \[steinberghart.com\]](http://steinberghart.com) D 213 599 4378

From: Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov> **Sent:** Tuesday, January 11, 2022 9:30 AM **To:** Simon Ha <sha@steinberghart.com>; Lee Raagas <lee@skidrow.org> **Cc:** Sierra Atilano <sierra.atilano@skidrow.org>; Antonio Le Mons <antonio.le.mons@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>;

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Subject: RE: HCD's Response to Skid Row

Hi Simon,

The Department was waiting to meet with Skid Row after the Comprehensive Corrective Action Plan was submitted because we assumed it would address the Edward Hotel and it would be the basis for the meeting. However, the Plan did not mention the Edward. In order for the meeting to be productive, please submit Skid Row's proposal as to how the entity will comply with the Department's loan documents and re-occupy the Edward, along with some dates and times Skid Row is available.

Thank you,

Rebecca Weber

Section Chief – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

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* rebecca.weber@hcd.ca.gov | ((916) 263-1010

[\[landlordtenant.dre.ca.gov\]](http://landlordtenant.dre.ca.gov)

From: Simon Ha <sha@steinberghart.com> **Sent:** Monday, January 10, 2022 8:54 PM **To:** Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Lee Raagas <lee@skidrow.org> **Cc:** Sierra Atilano <sierra.atilano@skidrow.org>; Antonio Le Mons <antonio.le.mons@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>; rex.b.jones@wellsfargo.com; Emil Khodorkovsky <emil@forbix.com>; David Waite <DWaite@coxcastle.com>; Diana Skidmore <dskidmore@crainandassociates.com>; Patrick Spillane <patrick.spillane@outlook.com>; Diane Ballen <ballen@burnhambenefits.com>; dmahoney@pebuilders.com; pgregerson@jwchinstitute.org; Ben Henwood <bhenwood@usc.edu>; Jennifer Christian Herman <jchristianherman@gmail.com>; Max Kolomeyer <max.kolomeyer@forbix.com>; Katherine Perez <Katherine.Perez@arup.com>; lynn.katano@lacda.org; Carlos VanNatter <carlos.vannatter@hacla.org>; 'Ryan Mulligan' <ryan.mulligan@hacla.org>; Maria Funk <MFunk@dmh.lacounty.gov>; Leepi Shimkhada <lshimkhada@dhs.lacounty.gov>; Ann Sewill <ann.sewill@lacity.org>; Daniel.huynh@lacity.org; Matthew.lust@lacda.org; timothy.young@hacla.org; Darlene.aikens@lacda.org; sander.schmidt@lacda.org; Oisin O'Shaughnessy <OO'shaughnessy@dhs.lacounty.gov>; cmitchell@dhs.lacounty.gov; amartinez@dhs.lacounty.gov; khamilton@dhs.lacounty.gov; Sarah Mahin <smahin@dhs.lacounty.gov>; Greg F. Smith <greg.smith@skidrow.org>;

Kristine.Khachatryan@hacla.org; Christin Doyle <CDoyle@dhs.lacounty.gov>; o'shaughnessy@dhs.lacounty.gov; Diana Skidmore <dskidmore@koacorp.com>; simonha.skidrow@gmail.com; Paul.Gregerson <PGregerson@jwch.org>; Tracie Mann <tracie.mann@lacda.org>; Joanne Cordero <joanne.cordero@skidrow.org>; Galvao, Pedro@HCD <Pedro.Galvao@hcd.ca.gov>; Tran-Houangvilay, Stephanie@HCD <Stephanie.Tran-Houangvilay@hcd.ca.gov>; Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Seeger, Jennifer@HCD <Jennifer.Seeger@hcd.ca.gov>; Le, Mai@HCD <Mai.Le@hcd.ca.gov>; Caruthers, Robert@HCD <Robert.Caruthers@hcd.ca.gov>; Garvin, Cosmo@HCD <Cosmo.Garvin@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>
Subject: RE: HCD's Response to Skid Row

Hi Rebecca,

At the end of our meeting, Assistant Director Seeger mentioned that HCD would facilitate a separate meeting to discuss possible solutions for Edward. Let us know if HCD intends to follow through with Assistant Director's suggestion for a meeting.

Thank you,

Simon Ha AIA, LEED AP Partner | [steinberghart](http://steinberghart.com) d. [213.599.4378](tel:213.599.4378)

----- Original message -----

From: "Weber, Rebecca@HCD" <Rebecca.Weber@hcd.ca.gov>

Date: 1/10/22 7:34 PM (GMT-08:00)

To: Lee Raagas <lee@skidrow.org>, Simon Ha <sha@steinberghart.com>

Cc: Sierra Atilano <sierra.atilano@skidrow.org>, Antonio Le Mons <antonio.le.mons@skidrow.org>, Nadia Litovskaya <nadia.litovskaya@skidrow.org>, rex.b.jones@wellsfargo.com, Emil Khodorkovsky <emil@forbix.com>, David Waite <DWaite@coxcastle.com>, Diana Skidmore <dskidmore@crainandassociates.com>, Patrick

Spillane <patrick.spillane@outlook.com>, Diane Ballen <ballen@burnhambenefits.com>, dmahoney@pebuilders.com, pgregerson@jwchinstitute.org, Ben Henwood <bhenwood@usc.edu>, Jennifer Christian Herman <jchristianherman@gmail.com>, Max Kolomeyer <max.kolomeyer@forbix.com>, Katherine Perez <Katherine.Perez@arup.com>, lynn.katano@lacda.org, Carlos VanNatter <carlos.vannatter@hacla.org>, 'Ryan Mulligan' <ryan.mulligan@hacla.org>, Maria Funk <MFunk@dmh.lacounty.gov>, Leepi Shimkhada <lshimkhada@dhs.lacounty.gov>, Ann Sewill <ann.sewill@lacity.org>, Daniel.huynh@lacity.org, Matthew.lust@lacda.org, timothy.young@hacla.org, Darlene.aikens@lacda.org, sander.schmidt@lacda.org, Oisin O'Shaughnessy <OO'shaughnessy@dhs.lacounty.gov>, cmitchell@dhs.lacounty.gov, amartinez@dhs.lacounty.gov, khamilton@dhs.lacounty.gov, Sarah Mahin <smahin@dhs.lacounty.gov>, "Greg F. Smith" <greg.smith@skidrow.org>, Kristine.Khachatrian@hacla.org, Christin Doyle <CDoyle@dhs.lacounty.gov>, o'shaughnessy@dhs.lacounty.gov, Diana Skidmore <dskidmore@koacorp.com>, simonha.skidrow@gmail.com, "Paul.Gregerson" <PGregerson@jwch.org>, Tracie Mann <tracie.mann@lacda.org>, Joanne Cordero <joanne.cordero@skidrow.org>, "Galvao, Pedro@HCD" <Pedro.Galvao@hcd.ca.gov>, "Tran-Houangvilay, Stephanie@HCD" <Stephanie.Tran-Houangvilay@hcd.ca.gov>, "Suggs, Lindy@HCD" <Lindy.Suggs@hcd.ca.gov>, "Losoya, Kim@HCD" <Kim.Losoya@hcd.ca.gov>, "Seeger, Jennifer@HCD" <Jennifer.Seeger@hcd.ca.gov>, "Le, Mai@HCD" <Mai.Le@hcd.ca.gov>, "Caruthers, Robert@HCD" <Robert.Caruthers@hcd.ca.gov>, "Garvin, Cosmo@HCD" <Cosmo.Garvin@hcd.ca.gov>, "Fletcher, Reginald@HCD" <Reginald.Fletcher@hcd.ca.gov>

Subject: HCD's Response to Skid Row

SRHT C Suite and Board of Directors,

Please find the attached response from the Department of Housing and Community Development regarding SRHT's Comprehensive Corrective Action Plan and the Portfolio Stabilization Execution Plan and updates.

If you have any questions, please let me know.

Sincerely,

Rebecca Weber

Section Chief – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400| Sacramento, CA 95833

* rebecca.weber@hcd.ca.gov | ((916) 263-1010

[\[landlordtenant.dre.ca.gov\]](http://landlordtenant.dre.ca.gov)

File: REL0000000053.MSG 537088 bytes

SRHT - Outstanding items

From: Weber, Rebecca@HCD

To: simonha.skidrow@gmail.com ; Lee Raagas <lee@skidrow.org> ; Simon Ha <sha@steinberg.us.com>

CC: rex.b.jones@wellsfargo.com ; dmahoney@pebuilders.com ; pgregerson@jwchinstitute.org ; Sierra Atilano <sierra.atilano@skidrow.org> ; Antonio Le Mons <antonio.le.mons@skidrow.org> ; Nadia Litovskaya <nadia.litovskaya@skidrow.org> ; Emil Khodorkovsky <emil@forbix.com> ; David Waite <DWaite@coxcastle.com> ; Diana Skidmore <dskidmore@crainandassociates.com> ; Patrick Spillane <patrick.spillane@outlook.com> ; Diane Ballen <ballen@burnhambenefits.com> ; Ben Henwood <bhenwood@usc.edu> ; Jennifer Christian Herman <jchristianherman@gmail.com> ; Max Kolomeyer <max.kolomeyer@forbix.com> ; Katherine Perez <Katherine.Perez@arup.com> ; Greg F. Smith <greg.smith@skidrow.org> ; Diana Skidmore <dskidmore@koacorp.com> ; Paul.Gregerson <PGregerson@jwch.org> ; Joanne Cordero <joanne.cordero@skidrow.org> ; Galvao, Pedro@HCD ; Tran-Houangvilay, Stephanie@HCD ; Suggs, Lindy@HCD ; Losoya, Kim@HCD ; Seeger, Jennifer@HCD ; Le, Mai@HCD ; Caruthers, Robert@HCD ; Garvin, Cosmo@HCD ; Fletcher, Reginald@HCD ; Nguyen, JoAnna@HCD ; Marshall, Steven@HCD

Sent time: 27 Jan, 2022 4:27:07 AM

Attachments: [\(5\).01.17.SRHT.PORTFOLIO_STABILIZATION_HCD.Supplemental.Response.01.10_01.17.v4.pdf](#)

Simon and Lee,

Per the attached document, Skid Row Housing Trust (Skid Row) committed to submit all the outstanding documentation and payments to the Department by January 21, 2022.

However, the Department has not received everything Skid Row committed to send. Please see the charts below regarding the outstanding items. If the documentation or payments have been sent, please provide proof as to how they were sent.

The following reports remain outstanding:

Name of Project	2022 Schedule of Rental Income	2022 Operating Budget	Status
Abbey Apartments	X		Outstanding
New Carver	X		Outstanding
New Pershing	X		Outstanding
Star Apartments	X	X	Outstanding
Edward Hotel		X	To be submitted by January 29, 2022

The following payments remain outstanding:

Name of Project		.42% Payment	Residual Receipt Payment
New Carver	07-SHMHP-3301	\$29,073.00	
New Pershing	11-SHMHP-7919	\$17,507.00	
Produce Hotel	90-CHRP-0084		\$40,598.00

Skid Row Central 1	16- VHHP-11416	\$15,492. 00	
	Total:	\$62,072. 00	\$40,598.00
	Grand Total:	\$102,670 .00	

Sincerely,

Rebecca Weber

Section Chief – Compliance
Resolution Program

Division of State Financial Assistance

California Department of Housing &
Community Development

2020 W. El Camino Avenue, Suite
400 | Sacramento, CA 95833

* rebecca.weber@hcd.ca.gov | ((916)
263-1010

From: Lee Raagas <lee@skidrow.org>

Sent: Monday, January 17, 2022 6:01 PM

To: Galvao, Pedro@HCD <Pedro.Galvao@hcd.ca.gov>; Tran-Houangvilay, Stephanie@HCD <Stephanie.Tran-Houangvilay@hcd.ca.gov>; Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Seeger, Jennifer@HCD <Jennifer.Seeger@hcd.ca.gov>; Le,

Mai@HCD <Mai.Le@hcd.ca.gov>; Caruthers, Robert@HCD <Robert.Caruthers@hcd.ca.gov>; Garvin, Cosmo@HCD <Cosmo.Garvin@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>

Cc: Sierra Atilano <sierra.atilano@skidrow.org>; Antonio Le Mons <antonio.le.mons@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>; rex.b.jones@wellsfargo.com; Emil Khodorkovsky <emil@forbix.com>; David Waite <DWaite@coxcastle.com>; Diana Skidmore <dskidmore@crainandassociates.com>; Patrick Spillane <patrick.spillane@outlook.com>; Diane Ballen <ballen@burnhambenefits.com>; dmahoney@pebuilders.com; pgregerson@jwch institute.org; Ben Henwood <bhenwood@usc.edu>; Jennifer Christian Herman <jchristianherman@gmail.com>; Max Kolomeyer <max.kolomeyer@forbix.com>; Katherine Perez <Katherine.Perez@arup.com>; lynn.katano@lacda.org; Carlos VanNatter <carlos.vannatter@hacla.org>; 'Ryan Mulligan' <ryan.mulligan@hacla.org>; Maria Funk <MFunk@dmh.lacounty.gov>; Leepi Shimkhada <lshimkhada@dhs.lacounty.gov>; Ann Sewill <ann.sewill@lacity.org>; Daniel.huynh@lacity.org; Matthew.lust@lacda.org; timothy.young@hacla.org; Darlene.aikens@lacda.org; sander.schmidt@lacda.org; Oisin O'Shaughnessy <OO'shaughnessy@dhs.lacounty.gov>; cmitchell@dhs.lacounty.gov; amartinez@dhs.lacounty.gov; khamilton@dhs.lacounty.gov; Sarah Mahin <smahin@dhs.lacounty.gov>; Greg F. Smith <greg.smith@skidrow.org>; Kristine.Khachatrian@hacla.org; Christin Doyle <CDoyle@dhs.lacounty.gov>; o'shaughnessy@dhs.lacounty.gov; Diana Skidmore <dskidmore@koacorp.com>; simonha.skidrow@gmail.com; Simon Ha <sha@steinberg.us.com>; Paul.Gregerson <PGregerson@jwch.org>; Tracie Mann <tracie.mann@lacda.org>; Joanne Cordero <joanne.cordero@skidrow.org>

Subject: Re: HCD / Skid Row Housing Trust Funders - SRHT Follow Up = Portfolio Stabilization Summary & Corrective Action / WEEK TWO (2) UPDATE

Agency Partners,

Please find attached the third week's STABILIZATION REPORT.

At a high level, the Portfolio Stabilization Initiative ("PSI") Team continues to complete critical items this week although progress was delayed due to 40% of SRHT staff out due to DPH COVID-19 confirmed case requirements. Due to the feedback received on January 10th, **additional information and documents have been** included in this weekly report to provide information that was requested. They include:



SKID ROW HOUSING TRUST

RESPONSE TO HCD FEEDBACK PROVIDED ON JANUARY 10TH, 2022

OVERVIEW / SUMMARY

SKID ROW HOUSING TRUST (“SRHT”) aligned the Corrective Action Plan to the Six (6) Agency Letter submitted on December 10th, 2021 and the subsequent meeting on December 16th, 2021. The Organization intentions and believes that the plan provided was in alignment to the discussion points of the meeting, particularly based on the feedback that the Agency partners want to see what is do-able, achievable and measurable in the next 30 days. That feedback was taken seriously and designed to demonstrate immediate actions and results. This additional documentation in this response, is to provide information and documentation requested in the follow up letter dated January 10th, 2021.

Listed below are the specific items outlined in the follow up letter. Due to size constraints, supporting documentation is provided under separate cover.

To address the statement; “The Plan lacks specific details, concrete action steps and dates as agreed upon during our conversation on December 16, 2021.” Please find project specific spreadsheet attached under separate cover titled SRHT.SixAgency.InitiativeTracking.vX.

To address the statement; “For example, under Portfolio Oversight for the week of 12/27/2021 – 12/30/2021, the Plan states “update HCD audit status with documentation, and forward to HCD.” It doesn’t detail what the audit is for, or which project and since submittal of the Plan, the Department has yet to receive any documentation to address this deliverable.” This is in reference to HCD’s onsite audit that was provided through notification on November 24th, 2021 for reports due on November 29th, 2021 and onsite audits starting on November 30th and completed December 2nd, 2021. HCD Asset Management further expressed that they could take the full 30 days to provide the comprehensive audit report which would make the report due to SRHT by January 2nd, 2022. SRHT was referencing that once that report was delivered, the Organization would provide an update addressing the HCD audit results, with any and all documentation to demonstrate that the actions and cures to any audit findings would be provided. To date, SRHT has not received the report, therefore has not yet been able to provide a status. In addition, SRHT was and is prepared to address any outstanding items that HCD Compliance Resolution advised was still outstanding. To date, SRHT has not receive that report either.

SPECIFIC DELIVERABLES

Regarding; “the plan is missing information to adequately address the following:”

HCD DELIVERABLE REQUESTED: Southeast 1 - Please provide a list of action steps necessary to ensure close of escrow by the specified date. The defaulted Wells Fargo construction loan’s seventh extension was valid through December 31, 2021. The Department gave SRHT a deadline to close escrow by March 31, 2022, or the VHHP funds will be disencumbered.

SRHT DELIVERABLE RESPONSE:

- Extended Wells Fargo Construction Loan (7th extension) Required funding of \$750K was overdue but funded and extended the loan through December 31st, 2022
- Execute Wells Fargo Forbearance letter – allowing a forbearance of the loan through March 31, 2022. -Executed January 14th, 2022
- Permits – In process
 - Permits submitted on March 12th, 2021
 - Permits scheduled to be issued by January 21st, 2022.
- Construction Timeline – 8-week construction schedule. Scheduled to be completed on February 25th, 2021
 - Construction scheduled to start on January 31st, 2022 (pending permit issuance)
 - Construction scheduled completion date is March 25th, 2022
- Escrow Close Date – Assuming this reference is permanent loan conversion date, we would anticipate 30 days close after construction is completed based on all agencies ability to review documents and close “escrow”
 - Scheduled close date is April 25th, 2022
- Detailed Information and Documentation is shared, in weekly meetings that include HCD, US Bank and other associated Agency and Financial Partners

HCD DELIVERABLE REQUESTED: Buildings newly placed in service (e.g., Flor 401, SP7, 649 Lofts, the Senator, and Southeast 1) – Please provide update as to expected delivery dates for all new buildings. These properties are being delivered months later than expected.

SRHT DELIVERABLE RESPONSE:

- **FLOR 401** – Placed in service on January 27th, 2021. Property has been operational for approximately 12 months. FLOR 401 was placed in service on time
- **SP7** – Placed in service on September 3rd, 2021. Property has been operational for approximately three (3) months. SP7 was delivered nine (9) months late due to lead being found in the soil at the start of construction, which caused a seven (7) month delay, and two (2) additional months delay due to COVID19 shutdowns due to onsite confirmed cases at the SP7 construction site
- **649 LOFTS** – Placed in service on February 26th, 2021. Property has been operational for approximately 11 months. 649 Lofts was placed in service one (1) year later due to delays in construction, related to COVID 19 shutdown periods and General Contractors capacity issues
- **SENATOR** – Placed in service on February 2nd, 2020. Property has been operational for approximately 22 months. SENATOR was placed in service on time. The property was 100% leased up on May 31st, 2020, since the lease up completion, residents have opted to move out and vacate the unit(s) that are currently available. SENATOR does have additional construction requirements that are currently being addressed
- **SOUTHEAST ONE** – Placed in service on June 1st, 2018. Property has been operational for 3 and ½ years. Placed in service was delayed by one (1) year for one building due to design changes and challenges during construction. HUD CASp issues have challenged overall process. Detailed Information and Documentation is shared, and provided in

weekly meetings that include HCD, LAHD, US Bank and other associated Agency and Financial Partners

HCD DELIVERABLE REQUESTED: Delays in lease-up for Flor 401, SP7, 649 Lofts, and the Senator. Please explain how you will address these delays, and when the lease-ups will be completed.

SRHT DELIVERABLE RESPONSE:

- **FLOR 401** – Current occupancy status is 66%. 29 units remain to be leased for initial certification. Seven (7) applicants are currently in process, with 22 additional VASH referrals to be sourced to complete the lease up. Estimated lease up completion April 30th, 2022.

Working with LAHSA and HACLA on VASH units, which is most of the available units left to lease up. Those efforts include:

- Partner with Shelters
 - Partner with Agencies
 - Partner with VA
 - Coordinated Veteran Events at the Property, launched first BETA event in December with LAHSA, HACLA and VA
 - Host onsite Veteran visits and onsite application process to expedite application and processing
 - Transport Veterans to the Lease Up Events
 - Lease Up Event team includes SRHT Senior Leader from Advancement and LAHSA Senior Consultant
 - Consultant
-
- **SP7** – Current occupancy status is 61%. 22 units remain to be leased for Site 1 for initial certification. Five (5) applicants in process, with 17 referrals to be sourced to complete the lease up. Estimated lease up completion for Site 1 is May 31st, 2022. Site 2 construction to be completed February 18th, 2022. Four (4) residents previous relocated will be moved back to Site 2 upon completion. Six (6) applicants are currently in process, with eight (8) units remaining to be sourced to complete the Site 2 lease up. Estimated Lease up completion for Site 2 May 31st, 2022.

Working with LAHSA and HACLA on VASH units, which is most of the available units left to lease up. Those efforts include and integrate with FLOR 401 and 649 lofts efforts:

- Partner with Shelters
- Partner with Agencies
- Partner with VA
- Coordinated Veteran Events at the Property, launched first BETA event in December with LAHSA, HACLA and VA

- Host onsite Veteran visits and onsite application process to expedite application and processing
 - Transport Veterans to the Lease Up Events
 - Lease Up Event team includes SRHT Senior Leader from Advancement and LAHSA Senior Consultant
- **649 LOFTS** – Current occupancy status is 74%. 14 units remain to be leased for initial certification. Seven (7) applicants are currently in process, with seven (7) additional VASH referrals to be sourced to complete lease up. Estimated lease up completion March 31st, 2022.

Working with LAHSA and HACLA on VASH units, which is most of the available units left to lease up. Those efforts include and integrate with FLOR 401 and SP7 efforts:

- Partner with Shelters
 - Partner with Agencies
 - Partner with VA
 - Coordinated Veteran Events at the Property, launched first BETA event in December with LAHSA, HACLA and VA
 - Host onsite Veteran visits and onsite application process to expedite application and processing
 - Transport Veterans to the Lease Up Events
 - Lease Up Event team includes SRHT Senior Leader from Advancement and LAHSA Senior Consultant
- **SENATOR** – Current occupancy status is 82%. Please see above section for additional information

HCD DELIVERABLE REQUESTED: Edward Hotel - The Plan must include specific actions to bring the Edward Hotel back into compliance under the Department's Regulatory Agreement, no later than March 31, 2022. The Plan should detail specific steps SRHT will take to ensure the property is ready for re-occupancy. The Hotel has been vacant since March 2018. This vacancy is completely unacceptable and, if continued, will lead to the Department taking legal action to repossess the Hotel.

SRHT DELIVERABLE RESPONSE: SKID ROW HOUSING TRUST has been committed to curing the outstanding items including the option of re-tenanting the property. Please see below for a high-level summary of actions that have been and will be taken to re-occupy:

- Finalize comprehensive plan to assess outstanding items to repair to occupy
- Finalize and obtain approval for negative operating budget
- Finalize and obtain approval for staff and personnel budget to serve the needs in a high-risk property profile
- Ensure criteria is established and documented that residents with accessibility needs will not be able to apply or be considered for tenancy

- Identify ideal resident/tenant that can live in an aging SRO without HVAC, Elevators or accessibility requirements
- Meet with HACLA and identify availability to Shelter Plus Care COC subsidies for new residents/tenants
- Identify and bring Edward online as an option into the Coordinated Entry System (“CES”) and work through the process
- Leverage and integrate marketing efforts in alignment with existing leasing efforts
- In the event HACLA does not have subsidies to be used, a ‘retail’ marketing plan will be created and marketed externally

SKID ROW HOUSING TRUST has put together a Re-Tenant / Lease Up Plan. The Organization would like to schedule a meeting to discuss the Plan along with additional scenarios and options to obtain guidance on potential challenges, timing and vouchers / rent rates.

Please reference comprehensive DRAFT plan under separate cover that was / is drafted as a baseline for meeting to discuss with HCD.

HCD DELIVERABLE REQUESTED: Property Management at the 649 Lofts - Please explain how you will address the lack of property management at this and other properties within the next 30 days.

SRHT DELIVERABLE RESPONSE:

- 649 Lofts – Hired a property manager (SS) when the property went into service. Due to resident threats and an onsite domestic violence dispute, the property manager resigned her position due to inability to perform her responsibilities for lack of safety. Because of that, SRHT had to evict to take back the Manager unit before offering the position to a replacement. During that time, an interim Assistant Property Manager (NB) managed the property. The new, permanent Property Manager (CG) was hired and lives onsite in November, 2021
- Property Management Roster is attached as an Addendum to identify all other property coverage and is aligned with previously distributed Portfolio Stabilization Initiative which is also included. SRHT is currently recruiting for four (4) open Property Manager positions with two (2) candidates in the interview process

HCD DELIVERABLE REQUESTED: Cecil Hotel - Please explain in detail SHRT’s involvement in the hotel. Is SRHT now managing this 600-unit project? If so, how will this demand on your capacity affect your ability to meet your obligations for the other projects in your portfolio? Please also explain what services, if any, you are providing to the tenants.

SRHT DELIVERABLE RESPONSE:

- Cecil Hotel is owned and funded by SIMON BARRON and their private capital partnerships. Therefore, SKID ROW HOUSING TRUST can offer appropriate information but not what is considered confidential by the Investor or prohibited to disclose. SRHT’s involvement was to offer analysis and intellectual support to the private capital group pursuits to use the hotels units for affordable housing during this crisis and moving forward. SKID ROW HOUSING TRUST did not invest or outlay any capital for the project

or property. All costs from capital requirements, property oversight, staffing and other required needs are privately funded by SIMON BARRON and therefore there is no impact on the Organization's capacity to manage its' own portfolio. There were no, are no nor will there be future Health and Social Services provided to the Cecil residents/tenants by SKID ROW HOUSING TRUST. That was confirmed by DHS in our December 16th meeting.

HCD DELIVERABLE REQUESTED: Improved Organizational capacity - SRHT continues to be out of compliance with Department reporting requirements and mandatory loan payments as outlined below. SRHT must submit all required reports and past due payments immediately.

SRHT DELIVERABLE RESPONSE:

Past Due or Incomplete Reports:

- Abbey Apartments – Schedule of Rental Income (“SRI”) was provided on November 2nd, 2021 to Silverio Ramos and Melodie Rosales via email. Melodie Rosales requested updated documentation on November 16th, 2022 in which our team has communicated progress. We will have all requested documentation sent by January 21st, 2022. Please see supporting documentation under separate cover
- Edward Hotel – Operating Budget was historically not required by HCD. On December 29th, 2021 HCD requested a Budget be drafted and submitted. SRHT will provide Edward Operating Budget by January 29th, 2022
- Hart Hotel – Schedule of Rental Income was provided on November 2nd, 2021, to Silverio Ramos and Melodie Rosales via email. Melodie Rosales requested updated documentation on November 16th, 2022 in which our team has communicated progress. We will have all requested documentation sent by January 21st, 2022. and attachments. Please see supporting documentation under separate cover
- New Carver – Schedule of Rental Income was provided on November 2nd, 2021 to Melodie Rosales via email and attachments. Melodie Rosales requested updated documentation on November 16th, 2022 in which our team has communicated progress. We will have all requested documentation sent by January 21st, 2022. Please see supporting documentation under separate cover
- New Pershing – Schedule of Rental Income was provided on November 2nd, 2021 to Melodie Rosales via email and attachments. Melodie Rosales requested updated documentation on November 16th, 2022 in which our team has communicated progress. We will have all requested documentation sent by January 21st, 2022. Please see supporting documentation under separate cover
- Simone 2015 – Operating Budget was provided on November 2nd, 2021 to Elizabeth Bass via email and attachments. HCD submitted additional requests for information and correction on December 30th, 2021. Corrected information was submitted on January 9th, 2022 and approved on January 13th, 2022. Please see supporting documentation under separate cover
- Star Apartments – Schedule of Rental Income was provided on November 2nd, 2021 to Silverio Ramos and Melodie Rosales via email and attachments. Operating Budget provided on November 2nd, 2021 to Silverio Ramos via email and attachments. We received additional questions from Silverio Ramos on January 3rd, which our team is

responding to and will have required documentation completed by January 21st, 2022. Please see supporting documentation for both SRI and Budget under separate cover

Outstanding Past Due Payments:

- Charles Cobb .42% – Reconciled and will be paid on January 21st, 2022
- New Carver .42% - Reconciled and will be paid on January 21st, 2022
- New Genesis .42% - Paid on January 6th, 2022
- New Pershing .42% / 2018 Residual Receipt / 2017 Residual Receipt – 2017 and 2018 were paid. Please reference check numbers and paid dates. .42% will be paid January 21st, 2022
- Produce Hotel .42% - Reconciled to HCD audit that was provided on January 7th, 2021. Requires clarification, SRHT records show .42% requirement as paid but 2019 Residual Receipt monies are due and will be paid on January 21st, 2022
- Skid Row Central 1 .42% - Reconciled and will be paid on January 21st, 2022
- Star Apartments .42% - Reconciled and will be paid on January 21st, 2022

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HCD's Meeting Follow up - February 3, 2022

From: Weber, Rebecca@HCD

To: simonha.skidrow@gmail.com ; [Simon Ha <sha@steinberghart.com>](mailto:sha@steinberghart.com) ; [Lee Raagas <lee@skidrow.org>](mailto:lee@skidrow.org)

CC: lynn.katano@lacda.org ; Daniel.huynh@lacity.org ; Matthew.lust@lacda.org ; timothy.young@hacla.org ; Darlene.aikens@lacda.org ; sander.schmidt@lacda.org ; cmitchell@dhs.lacounty.gov ; amartinez@dhs.lacounty.gov ; khamilton@dhs.lacounty.gov ; Kristine.Khachatrian@hacla.org ; [Carlos VanNatter <carlos.vannatter@hacla.org>](mailto:Carlos.VanNatter@hacla.org) ; [Ryan Mulligan <ryan.mulligan@hacla.org>](mailto:ryan.mulligan@hacla.org) ; [Maria Funk <MFunk@dmh.lacounty.gov>](mailto:Maria.Funk@dmh.lacounty.gov) ; [Leepi Shimkhada <lshimkhada@dhs.lacounty.gov>](mailto:Leepi.Shimkhada@dhs.lacounty.gov) ; [Ann Sewill <ann.sewill@lacity.org>](mailto:Ann.Sewill@lacity.org) ; [Oisin O'Shaughnessy <OO'shaughnessy@dhs.lacounty.gov>](mailto:Oisin.O'Shaughnessy@dhs.lacounty.gov) ; [Sarah Mahin <smahin@dhs.lacounty.gov>](mailto:Sarah.Mahin@dhs.lacounty.gov) ; [Christin Doyle <CDoyle@dhs.lacounty.gov>](mailto:Christin.Doyle@dhs.lacounty.gov) ; [Michael DeSimone <michael.desimone@lacity.org>](mailto:Michael.DeSimone@lacity.org) ; [Tracie Mann <tracie.mann@lacda.org>](mailto:Tracie.Mann@lacda.org) ; Galvao, Pedro@HCD ; Tran-Houangvilay, Stephanie@HCD ; Suggs, Lindy@HCD ; Losoya, Kim@HCD ; Seeger, Jennifer@HCD ; Le, Mai@HCD ; Caruthers, Robert@HCD ; Garvin, Cosmo@HCD ; Fletcher, Reginald@HCD ; [Amy Perkins <aperkinsconsultant@lahsa.org>](mailto:Amy.Perkins@lahsa.org) ; [Tori Kanhayuwa <tkanhayuwa@lahsa.org>](mailto:Tori.Kanhayuwa@lahsa.org) ; [Ivet Samvelyan <isamvelyan@lahsa.org>](mailto:Ivet.Samvelyan@lahsa.org)

Sent time: 19 Feb, 2022 12:14:55 AM

Attachments: [Meeting Follow Up \(Edward\) 2-18-2022.pdf](#)

Dear Simon and Lee,

Attached is the Department's response to the meeting held on February 3, 2022. It includes a summary of the meeting, updates, and ongoing concerns of the Department.

Please let me know if you have any questions.

Sincerely,

Rebecca Weber

Section Chief – Compliance
Resolution Program

Division of State Financial Assistance

California Department of Housing &
Community Development

2020 W. El Camino Avenue, Suite
400| Sacramento, CA 95833

* rebecca.weber@hcd.ca.gov | ((916)
263-1010

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE
COMPLIANCE RESOLUTION PROGRAM

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February 18, 2022

Lee Raagas, Chief Executive Officer
Skid Row Housing Trust
1317 East Seventh Street
Los Angeles, CA 90021

Re: February 3, 2022 Meeting Follow-Up

Dear Lee Raagas:

The Department of Housing and Community Development ("Department") met with Skid Row Housing Trust ("SRHT") and the Los Angeles public funders, which included representatives from Los Angeles County Development Authority ("LACDA"), Los Angeles Housing Department ("LAHD"), and Los Angeles Homeless Services Authority ("LAHSA") on February 3, 2022. The purpose of the meeting was to discuss plans on reoccupying the Edward Hotel by March 31, 2022, as discussed in the December 16, 2021, meeting with all the public funders and in the Department's Portfolio Stabilization letter dated January 10, 2022.

Based on the meeting, the Department expects the following items to be completed or resolved within the timeframe noted in each category:

1. Edward Hotel

- a. Lease up
 - i. SRHT stated they will have the Edward Hotel 40% leased up (19 units), no later than March 31, 2022, the Department approves this request.
 - ii. The Edward Hotel must be 100% leased up (47 units), no later than May 1, 2022.
- b. Please explain how much capital from SRHT will be needed to open the Edward and the funding source of these funds, no later than February 25, 2022.
- c. Submit the capital needs assessment as requested by the public funders immediately.
- d. The Department acknowledged, not denied, the suggestion made by LAHD, that the lease up is aggressive, and no objections were made by SRHT.

2. HCD Findings Letter - April 14, 2021

- a. Finding #2: Unauthorized withdrawals from Operating Reserve ("OR") Account.
 - i. SRHT to submit two consecutive bank statements from the time the \$100,000 was returned to the OR account, July 30, 2021.
 - ii. SRHT to provide financial year end OR bank statement, 2021.
 - iii. SRHT to provide verification that the deposit came from a SRHT account and not from a project source.

Status: Finding #2 has been cleared. The Department received the requested information on Friday, February 4, 2022, via email.

- b. Finding #4: Misuse of Simone 2015's project funds.
 - i. SHRT to submit all pages of the bank statement reflecting the \$219,334.00 return into the replacement reserve account at Simone Apartments/Simone 2015.
 - ii. Provide verification that the deposit came from an SRHT account and not from a project source.

Status: Finding #4 has been cleared. The Department received the requested information on Monday, February 7, 2022, via email.

3. SRHT Portfolio Stabilization Summary and Corrective Action (the "Summary") – These items are to be included in the next report

- a. Include all the reports, audits, and/or proof of repairs stated in each Summary to all the public funders.
 - i. The most recent report for the week ending 02/11/2022, lists the following reports that are not included with the Summary:
 1. Health and Safety:
 - a. Fire Code Inspections and proof of repairs.
 - b. Elevator repairs - Submit the estimate or proposal and final invoice.
 - c. Pest control service – Submit the pest control contract and proof of service.
 - d. Security upgrade assessments and recommendations report for each building.
 2. Vacant units:
 - a. Rent Ready Unit Report.
 3. Security improvement plan:
 - a. Work order for all the lights that were repaired.
 - b. Proof that all the security cameras have been repaired and are working.
 - c. 24-hours security contract for the five buildings. Also include which buildings.
 4. Community Staff Assessment:

- a. Property Management staffing assessment and the staffing corrective plan.
- 5. Additional deliverables:
 - a. PMC re-organization assessment.
 - b. Edward
 - i. Physical Site Needs Assessment.
 - ii. Marketing Plan.
- b. Include accurate information.
 - i. The most recent report, states “100% Complete – All repairs have been scheduled with external vendors.” Yet, the elevator repairs are anticipated to be completed by 2/18/2022, therefore, the elevator repairs are not 100% Complete.

Status: The Summaries, due to their lack of project specific details combined with the inaccurate and conflicting information, are not helpful to the Department in assessing SRHT’s performance in correcting the various concerns of the Department.

4. Delinquent HCD .42% or Residual Receipt Payments

- a. New Carver \$29,073.00
- b. New Pershing \$17,507.00 and \$6,894.00
- c. Produce Hotel: \$40,598.00
- d. Skid Row Central 1: \$15,492.00

Status: The Department received the above payments on Wednesday, February 9, 2022. The Department requires SRHT to ensure any future payments are received by the Department on or before the due date.

5. 2021 Site Visit Reports

- a. SRHT did not have any questions or concerns about the number of findings. SRHT must cure all 250 site visit monitoring findings no later than February 28, 2022.

6. Cecil Hotel

- a. Provide any and all contractual agreements between SRHT and Simon Baron, including but not limited to the property management contract and the organization documents for SRHTandCecil GP LLC and the SB Cecil LP.
 - i. SRHT’s lack of transparency and honest communication with the public funders who are trying to assist SRHT is astonishing. In the meeting on December 16, 2021, Lee Raagas said, “we’re just facilitating and assisting in the launch” and Sierra Atilano added, “our involvement was helping them with the financial structure, that it goes to affordable housing and not market rate.” On February 3, 2022, SRHT admitted being the Managing General Partner and the

Property Management Company.

- b. Provide in detail the number of staff dedicated to the Cecil Hotel, include their role and responsibilities.
- c. Please provide an organization chart of SRHT and Affiliates, as indicated in your organization audit, including all personnel at each building.

7. Southeast 1

- a. Provide accurate and timely updates to all the public funders.
- b. On February 3, 2022, Sierra Atilano stated SRHT is anticipating the permits to be issued on February 4, 2022, then admitted that the General Contractor's contract is still not executed due to issues with prevailing wages. Therefore, construction cannot commence even if SRHT had the permits.
- c. As noted, in the Department's Ineligible Sponsor Notice dated September 20, 2021, the Veterans Housing and Homeless Prevention Program (VHHP) loan must permanently convert and record all necessary VHHP loan documents no later than March 31, 2022. If Southeast 1 fails to close escrow by March 31, 2022, the VHHP funds in the amount of \$1,278,050.00 will be disencumbered.
- d. The Department conducted a site visit on November 30, 2021, and found 19 Findings. On February 11, 2022, HCD accompanied Brilliant Corners on a site visit and discovered additional health and safety issues and concerns and observed none of the prior findings had been addressed. For a project that has recently undergone major rehabilitation, the findings should be minimal. However, the group discovered cockroaches, water damage on the ceiling tiles, broken smoke detectors, AC systems not working, piles of garbage, and no soap, toilet papers, or paper towels in the bathrooms which residents reported had been out for weeks. The project smelled heavily of bleach, however the areas all appeared dirty. It was also noted the only nice and clean area in the project was the garden area, which is cared for by the residents. One of the bigger issues discovered was that residents were informed the construction work would start in late March, early April and be completed sometime in July. This is not what has been communicated from SRHT to the Department. In fact, the day before the visit, Sierra Atilano informed the Department, "Schedule – On track, as we used this week to mobilize the general contractor, and order supplies. We are showing a completion date of 2 weeks beyond the 31st of March due to the delay on the permits." Again, the lack of accurate information from SRHT is alarming and of grave concern to the Department.

Please note the Department's opinion is that SRHT has not made significant progress in addressing the concerns of the Department. This determination is based on the absence or incomplete nature of the documentation submitted by SRHT, and the lack of details and transparency in SRHT's communication. It is apparent that SRHT has not grasped the seriousness of this situation, as the suggestions made by the Department and the

other public funders continue to be ignored. The Department has given several items deadlines of March 31, 2022, and sincerely hopes that SRHT will be able to meet those deadlines. However, if SRHT continues on the same path and does not meet its commitments, the Department is prepared to take additional steps necessary to protect the tenants and future tenants housed in SRHT's portfolio.

If you have any questions regarding this notice, please contact Rebecca Weber, Section Chief, at rebecca.weber@hcd.ca.gov.

Sincerely,



Lindy Suggs
Branch Chief, Asset Management and Compliance
Division of State Financial Assistance

Cc:

Simon Ha, SRHT Board President
LA County Department of Health Services
LA County Department of Mental Health
Los Angeles Housing Department
Housing Authority of the City of Los Angeles
Los Angeles County Development Authority
Los Angeles Homeless Services Authority

File: REL0000000056.MSG 138240 bytes

Join us in a discussion with Assemblymember Miguel Santiago

From: [Lee Raagas, President and CEO Skid Row Housing Trust](mailto:Lee.Raagas@skidrow.org)
<info@skidrow.org>

To: Losoya, Kim@HCD

Sent time: 18 Jan, 2022 5:01:07 PM

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Dear Kim,

We invite you to join us during our next Virtual Community Meeting on **Wednesday, January 26th, at 12:00 PM PT**. We will be hosting a moderated conversation and Q&A session with California State Assemblymember Miguel Santiago.

Meeting Information

DATE & TIME

Wednesday, January 26, 2022
12:00 PM - 1:00 PM PT

LOCATION

[VIRTUAL MEETING LINK \[r20.rs6.net\]](#)

or call **323-433-2102** with conference ID: **703 418 266#**

RSVP by clicking [here \[r20.rs6.net\]](#) to receive an email

... by clicking [here](#) to receive an email reminder 10-15 minutes prior to the meeting with information on how to join.

Thank you for your ongoing support and I look forward to our Virtual Community Meeting next week.

Wishing you continued good health,

Lee Raagas
President and Chief Executive Officer

[\[r20.rs6.net\]](#)

Skid Row Housing Trust provides permanent supportive housing so that people who have experienced homelessness, prolonged extreme poverty, poor health, disabilities, mental illness and/or addiction can lead safe, stable lives in wellness.

Skid Row Housing Trust
1317 E. 7th Street
Los Angeles, CA 90021

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Skid Row Housing Trust Portfolio Findings Letter

From: Le, Mai@HCD

To: [Lee Raagas <lee@skidrow.org>](mailto:lee@skidrow.org)

CC: sbarshay@gubbandbarshay.com ; greg.smith@skidrow.org ; Suggs, Lindy@HCD ; Weber, Rebecca@HCD ; Losoya, Kim@HCD ; Fong, Tiffany@HCD ; Alvarez, Emeline@HCD ; Chapman, Kimberly@HCD ; Smoot, Doug@HCD ; Johnston, Brian@HCD ; Tompkins, Paul@HCD ; Fletcher, Reginald@HCD ; Shimizu, Lorrinda@HCD ; [Sierra Atilano <sierra.atilano@skidrow.org>](mailto:sierra.atilano@skidrow.org)

Sent time: 19 Apr, 2021 8:44:06 PM

Attachments: [HCD Findings Letter to Skid Row Housing Trust.pdf](#) [Skid Row Housing Trust Project List.pdf](#) [Pre_Nod dated September 29,2020.pdf](#) [17-VHHP-11575 Residual Invoice HCD20001690-R0 - 2019.pdf](#) [16-LPR-0024 \(Simone Apts\) 2018 Residual Inv# HCD20001692-R0.pdf](#) [16-LPR-0024 \(Simone Apts\) 2019 Residual Inv# HCD20001724-R0.pdf](#) [2020 .42 Invoice 06-MHP-0251.pdf](#) [HCD Findings Letter to Skid Row Housing Trust.pdf](#)

Dear Ms. Lee Raagas:

On February 17, 2021, our team at the Department of Housing and Community Development (“Department”) met with the staff at Skid Row Housing Trust (SRHT) to discuss pending matters in relation to the Preliminary Notice of Declaration of Default for the **Edward Hotel – (91-CHRP-0102)**. On behalf of the Deputy Director, Financial Assistance -State Office, attached is the Department’s concluded Portfolio Findings Letter, which SRHT was made aware of at the meeting and had been expecting. I will be sending a copy of the report via overnight mail.

A “Finding” is a deficiency in performance based on a statute, regulation, guideline, and/or regulatory agreement. There are **eight (8) Findings** detailed in the letter, along with the following attachments:

- Skid Row Housing Trust Project List
- Pre-NOD dated September 29, 2020
- Financial Management Office Invoice for Outstanding Payments

Please respond to all of the “Required Corrective Action” identified within the time stated in the letter.

All correspondence regarding this letter may be addressed to Rebecca Weber, Section Chief of

the Compliance Resolution Program at Rebecca.weber@hcd.ca.gov.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

*mai.le@hcd.ca.gov | ((916) 562-5826

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April 14, 2021

Skid Row Housing Trust Compliance Findings

Lee Raagas, Chief Executive Officer
Skid Row Housing Trust
1317 East Seventh Street
Los Angeles, CA 90021

**RE: Skid Row Housing Trust Organization
Portfolio Findings Letter (see attached Project List)**

Dear Lee Raagas:

The Department of Housing and Community Development ("Department"), is sending Skid Row Housing Trust ("SRHT") this notice in relation to the Preliminary Notice of Declaration of Default ("Edward Hotel Pre-Nod"), dated September 29, 2020, for the Edward Hotel (91-CHRP-0102).

The Department's Asset Management and Compliance Branch, Compliance Resolution Program, Financial Management Office, Loan Closing Branch, and Transactions Unit, discovered a number of outstanding compliance matters across SRHT's portfolio. The Agreement numbers of the specific projects with identified compliance issues has been included as an attachment to this letter.

Based on information in the 2019 audit report, The Department has identified multiple areas of organizational concerns. These include, but are not limited to, the items listed below:

1. SRHT's two lines of credit for affordable housing acquisition and predevelopment activities appear to be maxed to the limit.
2. Five SRHT projects are in various stages of development. The Department is concerned SRHT may not have the necessary resources and ability to complete these projects on time.
3. In 2019, SRHT's current assets were approximately 4.5 times smaller than current liabilities. The debt to asset ratio worsened from 2018 to 2019 audits.
4. Approximately 60% of SRHT's projects with HCD financing have experienced negative cash flow in each of the last two years.
5. SHRT continues to experience high staff turnover leading to staff shortages.

In addition to these general organization capacity concerns, pursuant to the loan programs outlined in the enclosed attachment, the Department identified the following items which do not comply with the Regulatory Agreement(s) ("RA"), loan documents,

program regulations and/or statutes. Please note: the Department, by this notice, is not waiving any other breaches that may exist under the RA, loan documents, the program regulations and/or statutes.

Finding #1

Removing tenants from the Edward Hotel without the Department's prior written consent and keeping the project vacant.

SRHT removed all of the tenants residing at the Edward Hotel at the end of February 2018 and the building remains vacant. Per Edward Hotel's regulatory agreement, SRHT is required to provide affordable housing for the full term. Failure to notify and obtain approval from the Department prior to removing all the tenants of the development, is a violation of paragraph 30 of the CHRP RA and the CHRP Deed of Trust which states the "Agreement shall not be altered except in writing, executed between or among all the parties".

Required Action:

SRHT is required to obtain the Department's approval of any and all changes to the Regulatory Agreement prior to any course of action and implementation. The Department has not approved the demolition of the Edward Hotel.

Finding #2:

Unauthorized withdrawals from the Operating Reserve Account – *Edward Hotel*

The 2019 financial reports and statements revealed SRHT'S unauthorized withdrawal from the Operating Reserve Account for Edward Hotel (91-CHRP-0102) in December 2019, in the amount of \$50,000. In June 2020, confirmed by SRHT personnel and a bank statement, an additional \$50,000 unauthorized withdrawal was made to cover operating expenses. SRHT executive communicated to the Department that it was their understanding operating functions were not being monitored by the Department since SRHT received a waiver of the financial reports. SRHT interpreted a waiver of one item in the RA, as a waiver of the entire RA, which is not true. In addition, SRHT inaccurately stated on Page 38 of its 2019 Audit Report that a withdrawal of \$50,000 from the account was authorized by the Department. Contrarily, the Department had not been made aware of, nor provided approval for, the withdrawal as required by the Edward Hotel CHRP RA, Section 20(b). The reserve accounts are restricted accounts, and all withdrawals must have prior written approval by the Department, as stated in the RA.

Required Action:

No later than 60 days from the date of this notice, SRHT, the entity, must refund the Edward Hotel's Operating Reserve Account for the unauthorized withdrawals of \$100,000. SRHT must submit a bank statement reflecting the \$100,000 deposit and the current balance of the Operating Reserve Account, and proof the \$100,000 came from the SRHT account, not tied to a project.

Finding #3**Failure to rent units upon vacancy – *Simone Apartments / Simone 2015***

SRHT purposely held units vacant at Simone Apartments / Simone 2015 to relocate tenants from Edward Hotel. This is a violation of the Simone Apartments' Regulatory Agreement and the Simone 2015's Regulatory Agreement, Exhibit B, Unit Designations and Rent Schedule.

Required Action:

The Simone Apartments / Simone 2015 RA require that SRHT provide affordable housing along with a number of assisted units. Any changes to the RA require the Department's prior written approval. SRHT must not hold units vacant and must maintain a waiting list in order to expedite the lease-up process at the next available vacancy.

Finding #4**Misuse of Simone 2015 project funds to fund relocation expenses for the Edward Hotel– *Edward Hotel and Simone Apartments / Simone 2015***

According to the relocation plan and verbally confirmed by SRHT, SRHT utilized funds from the development funding sources for Simone 2015 to fund the relocation expenses for the Edward Hotel tenants in the amount of \$219,334. Relocation expenses of Edward Hotel's tenants are not an eligible use of Simone 2015's funds. Simone 2015's relocation funds are to be used solely for its tenants.

Required Action:

No later than 60 days from the date of this notice, SRHT, the entity, must deposit \$219,334 into the underfunded Replacement Reserve account at Simone Apartments / Simone 2015. SRHT must submit a bank statement reflecting the \$219,334 deposit and the current balance of the Simone Apartments/Simone 2015 Replacement Reserve account, and proof the \$219,334 came from a SRHT account, not tied to a project.

Finding #5

Outstanding payments due to the Department – Charles Cobb Apartments, Simone Apartments, and Simone 2015

Project	Loan Number	Outstanding Payment	Invoice Date and Number	Type of Payment	Delinquency
Charles Cobb Apartments	06-MHP-0251	\$17,860	11/18/2020 Invoice Number: HCD20001344-F0	2020 Annual .42	More than 90 days
Simone Apartments	16-LPR-0024	\$33,452 \$10,586	01/15/2021 Invoice Numbers: HCD20001692-R0 for \$33,452 HCD20001724-R0 for \$10,586	2018 Residual Receipt 2019 Residual Receipt	More than 30 days
Simone 2015	17-VHHP-1157	\$28,058	01/15/2021 Invoice Number: HCD20001690-R0	2019 Residual Receipt	More than 30 days

The Department's Financial Management Office (FMO) sent notices to SRHT for the above-referenced outstanding payments. Please be advised that any Department delay to send an invoice, or notice of non-receipt of an invoice, does not relieve the Borrower of its obligation to make payments when due, per the Regulatory Agreement.

Required Action:

SRHT must submit all outstanding payments due to the Department no later than 60 days from the date of this notice (invoices attached).

Finding #6

Loan Closing Branch - Pending Issues – Southeast 1

In order to close Southeast 1, the following items must be submitted to Paul Tompkins in the Loan Closing Branch:

- A detailed scope of work to fix the ADA compliance issues and approval from the City of Los Angeles to complete the work.

- A detailed plan from SRHT explaining how the court ordered inspector will be able to inspect the property and clear the ADA compliance issues.
- Approval from the City of Los Angeles that they will execute the HCD Subordination Agreement.
- Updated draft cost certificate that includes an itemization of the use of \$492,370.00, from the Capitalized Replacement Reserve funds.
- Proof that Wells Fargo Bank, the construction lender, extended the construction loan and the Notice of Default has been cured.

Required Action:

SRHT must submit the above requested information/documents within 60 days of this notice for the Department to agree to close on the permanent loan. If these items are not received, the Department cannot close and fund Southeast 1. Questions pertaining to this loan closing can be addressed to Paul Tompkins, Loan Closing Branch Specialist, at 916-263-1072 or paul.tompkins@hcd.ca.gov.

Finding #7

Late Compliance Report Submittals (Annual Reports)- *Charles Cobb Apartments, Crescent Hotel, Edward Hotel, Hart Hotel, New Genesis Apartments, New Pershing Apartments, Produce Hotel, Sanborn Hotel, Simone Apartments / Simone 2015, St. Mark's Hotel, and Star Apartments*

The Regulatory Agreements for all loans noted above stipulate that the Borrower shall report to the Department, no later than 60 or 90 days after the end of each Fiscal Year for the specified Development.

CHRP Regulatory Agreement (Section 16)

Annual Report - The Borrower shall file with the Department an Annual Report, pursuant to Section 7695 of the Program Regulations, no later than 60 days after the end of each fiscal year as established for the Development pursuant to Section 19(a) of this Agreement. The report shall contain such information as is required by Section 7695 of the Program Regulations.

All Other Programs (Section 17)

Annual Report and Audit - Borrower shall file an annual report with the Department no later than ninety (90) days after the end of each Fiscal Year for the Development. The report shall be in such a form and contain such information as required by the Department.

In reviewing the past 3 years of audit submittals, the Department's records show 95% of the required annual audit reports were late as shown in the table on the following page

Submittal Dates of Audit Reports to the Department

Compliance Report Audits	Report Due Date	2019 received	2018 received	2017 received
Charles Cobb Apts.	April 1 st	9/3/2020	09/03/2019	5/2/2018
Crescent Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Edward Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Hart Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
New Genesis Apts.	April 1 st	4/21/2020	4/12/2019	5/16/2018
New Pershing Apts.	April 1st	09/16/2020	04/01/2019 (on time)	3/29/2018 (on time)
Produce Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Sanborn Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Simone Apartments	April 1 st	All reporting requirements to the new loan (Simone 2015) and they are no longer being tracked in Simone Apts.	07/11/2019	11/14/2018
Simone 2015	April 1st	6/01/2020	Not required	Not required
Skid Row Central 1	April 1 st	06/01/2020	N/A: perm closed 12/31/2018	N/A: perm closed 12/31/2018
Skid Row Southeast 1	April 1 st	06/19/2020	12/14/2019	05/02/2018
St. Mark's Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Star Apts.	April 1 st	9/14/2020	07/25/2019	04/2/2018

Required Action:

SRHT must comply with the Department's annual compliance reporting requirements and timelines as stated in each of the projects' RAs. Failure to comply may result in the following, but not limited to, negative points on future funding applications, delays in loan closings and transactions, and/or other remedies allowed under the loan documents, including recording a notice of default and/or foreclosure.

Finding #8

Late Compliance Report Submittals (Proposed Operating Budget, and Schedule of Rental Income) - Charles Cobb Apartments, Crescent Hotel, Edward Hotel, Hart Hotel, New Genesis Apartments, New Pershing Apartments, Produce Hotel, Sanborn Hotel, Simone Apartments / Simone 2015, St. Mark's Hotel, and Star Apartments

The RAs for all loans noted above stipulate that the Borrower shall report to the Department, 60 days prior to the beginning of each Fiscal Year for the specified Development.

CHRP Regulatory Agreement (Section 19)**Annual Operating Budget**

No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the Department a proposed annual operating budget on a form provided by the Department. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses, and debt service for the upcoming year, reserves, proposed rent adjustments, and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the Department.

All Other Programs (Section 15)**Annual Operating Budget**

No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the Department a proposed annual operating budget on a form provided by the Department. The proposed annual operating budget shall set forth the Borrower's estimate of the operating income, operating expenses, and debt service for the upcoming year, amounts payable to reserves, and proposed rent adjustments.

The Department's records show 100% of the proposed operating budget and schedule of rental income reports were late for the past three years as shown in the table on the following page.

Submittal Dates of Proposed Operating Budget and Schedule of Rental Income (SRI) Reports to the Department

Compliance Report Budgets and SRIs	Report Due Date	2020 received	2019 received	2018 received
Charles Cobb Apts.	November 1 st	12/10/2019	12/6/2018	11/30/2017
Crescent Hotel	November 1st	12/17/2019	12/7/2018	12/4/2017
Edward Hotel	November 1st	Sponsor requested waiver	Sponsor requested waiver	12/4/2017
Hart Hotel	November 1st	12/11/2019	12/7/2018	12/4/2017
New Genesis Apts.	November 1st	12/12/2019	12/10/2018	12/4/2017
New Pershing Apts.	November 1st	12/26/2019	12/7/2018	12/7/2017
Produce Hotel	November 1st	12/12/2019	12/10/2018	12/5/2017
Sanborn Hotel	November 1st	12/17/2019	12/10/2018	12/5/2017
Skid Row Central 1	November 1 st	1/09/2020	11/8/2018	11/8/2018
Skid Row Southeast 1	November 1 st	12/3/2019	11/29/2018	12/17/2017
Simone Apartments	November 1 st	Reporting Requirements to Simone 2015	Reporting Requirements to Simone 2015	12/14/2017
Simone 2015	November 1st	12/17/2019	11/28/2018	Not required
St. Mark's Hotel	November 1st	12/12/2019	12/10/2018	12/5/2017
Star Apts.	November 1st	12/17/2019	12/5/2018	11/30/2017

Required Action:

SRHT must comply with the Department's annual compliance reporting requirements and timelines as stated in each of the projects' Regulatory Agreements. Failure to timely comply could result in the following, but not limited to, negative points on future applications, delays in future funding and transactions, and/or other remedies allowed under the loan documents, including recording the notice of default and/or foreclosure.

Summary of Findings

- Finding #1 – Removing tenants from the Edward Hotel without the Department's prior written consent and keeping the project vacant
- Finding #2 – Unauthorized withdrawals from Operating Reserve Account
- Finding #3 – Failure to rent units upon vacancy
- Finding #4 – Misuse of Simone 2015's project funds
- Finding #5 – Outstanding Payments due to the Department
- Finding #6 – Loan Closing Branch - Pending Issues
- Finding #7 – Late Compliance Report Submittals (Annual Reports)
- Finding #8 – Late Compliance Report Submittals (Proposed Operating Budget, and Schedule of Rental Income)

SRHT's history of compliance violations, including late payments, unapproved withdrawals of funds from restricted accounts, vacating units without the Department's prior written approval, purposefully keeping units vacant, continual late report submittals, coupled with a noticeably high staff turnover and lack of knowledge of the Department's requirements at SRHT, causes the Department grave concern. The Department is worried about the productivity and capacity of SRHT to own, operate, and self-manage affordable housing developments.

The Department has identified eight (8) compliance findings that that need to be resolved, or the Department will pursue any and all available legal action(s). The compliance violations outlined above are all considered individual defaults on the separate projects and it is within the Department's discretion to assign negative points on future funding application(s) and/or withhold approval of future funding or transactions with SRHT.

With the foregoing in mind, the Department acknowledges that SRHT has requested to resyndicate and demolish the Edward Hotel project. As stated in the Department's correspondence dated September 25, 2020, the demolition activities must not be started until the Department provides written approval. The Department rarely, if ever, approves demolition of its security. To date, the Department has not provided written approval of the Edward Hotel demolition and resyndication, especially since SRHT has yet to provide all the necessary documents for the Department to appropriately evaluate and underwrite this transaction. Furthermore, given the seriousness of the numerous violations discussed above, the Department continues to have significant concerns about allowing the demolition of the Edward Hotel and cannot consider moving forward

until SRHT takes the specified corrective actions and resolves the above-referenced compliance findings.

The Department is seeking to resolve these matters in an efficient and accurate manner. All correspondence may be addressed to Rebecca Weber of the Compliance Resolution Program at Rebecca.Weber@hcd.ca.gov or you may send to the location specified on the Department's letterhead. Please note, if the Department does not receive a response within 60 days, the Department will interpret that to be a refusal to respond, which refusal shall be subject to all default and other remedies applicable based on the Department's loan documents and program requirements.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Seeger". The signature is fluid and cursive, with the first name "Jennifer" being larger and more prominent than the last name "Seeger".

Jennifer Seeger
Deputy Director

cc: Scott Barshay

Enclosures:

Skid Row Housing Trust Project List
Pre-NOD dated September 29, 2020
Financial Management Office Invoice for Outstanding Payments

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 400, 95833
P.O. Box 952054
Sacramento, CA 94252-2054
(916) 263-1010
www.hcd.ca.gov



April 14, 2021

Skid Row Housing Trust Compliance Findings

Lee Raagas, Chief Executive Officer
Skid Row Housing Trust
1317 East Seventh Street
Los Angeles, CA 90021

**RE: Skid Row Housing Trust Organization
Portfolio Findings Letter (see attached Project List)**

Dear Lee Raagas:

The Department of Housing and Community Development ("Department"), is sending Skid Row Housing Trust ("SRHT") this notice in relation to the Preliminary Notice of Declaration of Default ("Edward Hotel Pre-Nod"), dated September 29, 2020, for the Edward Hotel (91-CHRP-0102).

The Department's Asset Management and Compliance Branch, Compliance Resolution Program, Financial Management Office, Loan Closing Branch, and Transactions Unit, discovered a number of outstanding compliance matters across SRHT's portfolio. The Agreement numbers of the specific projects with identified compliance issues has been included as an attachment to this letter.

Based on information in the 2019 audit report, The Department has identified multiple areas of organizational concerns. These include, but are not limited to, the items listed below:

1. SRHT's two lines of credit for affordable housing acquisition and predevelopment activities appear to be maxed to the limit.
2. Five SRHT projects are in various stages of development. The Department is concerned SRHT may not have the necessary resources and ability to complete these projects on time.
3. In 2019, SRHT's current assets were approximately 4.5 times smaller than current liabilities. The debt to asset ratio worsened from 2018 to 2019 audits.
4. Approximately 60% of SRHT's projects with HCD financing have experienced negative cash flow in each of the last two years.
5. SHRT continues to experience high staff turnover leading to staff shortages.

In addition to these general organization capacity concerns, pursuant to the loan programs outlined in the enclosed attachment, the Department identified the following items which do not comply with the Regulatory Agreement(s) ("RA"), loan documents,

program regulations and/or statutes. Please note: the Department, by this notice, is not waiving any other breaches that may exist under the RA, loan documents, the program regulations and/or statutes.

Finding #1

Removing tenants from the Edward Hotel without the Department's prior written consent and keeping the project vacant.

SRHT removed all of the tenants residing at the Edward Hotel at the end of February 2018 and the building remains vacant. Per Edward Hotel's regulatory agreement, SRHT is required to provide affordable housing for the full term. Failure to notify and obtain approval from the Department prior to removing all the tenants of the development, is a violation of paragraph 30 of the CHRP RA and the CHRP Deed of Trust which states the "Agreement shall not be altered except in writing, executed between or among all the parties".

Required Action:

SRHT is required to obtain the Department's approval of any and all changes to the Regulatory Agreement prior to any course of action and implementation. The Department has not approved the demolition of the Edward Hotel.

Finding #2:

Unauthorized withdrawals from the Operating Reserve Account – *Edward Hotel*

The 2019 financial reports and statements revealed SRHT'S unauthorized withdrawal from the Operating Reserve Account for Edward Hotel (91-CHRP-0102) in December 2019, in the amount of \$50,000. In June 2020, confirmed by SRHT personnel and a bank statement, an additional \$50,000 unauthorized withdrawal was made to cover operating expenses. SRHT executive communicated to the Department that it was their understanding operating functions were not being monitored by the Department since SRHT received a waiver of the financial reports. SRHT interpreted a waiver of one item in the RA, as a waiver of the entire RA, which is not true. In addition, SRHT inaccurately stated on Page 38 of its 2019 Audit Report that a withdrawal of \$50,000 from the account was authorized by the Department. Contrarily, the Department had not been made aware of, nor provided approval for, the withdrawal as required by the Edward Hotel CHRP RA, Section 20(b). The reserve accounts are restricted accounts, and all withdrawals must have prior written approval by the Department, as stated in the RA.

Required Action:

No later than 60 days from the date of this notice, SRHT, the entity, must refund the Edward Hotel's Operating Reserve Account for the unauthorized withdrawals of \$100,000. SRHT must submit a bank statement reflecting the \$100,000 deposit and the current balance of the Operating Reserve Account, and proof the \$100,000 came from the SRHT account, not tied to a project.

Finding #3**Failure to rent units upon vacancy – *Simone Apartments / Simone 2015***

SRHT purposely held units vacant at Simone Apartments / Simone 2015 to relocate tenants from Edward Hotel. This is a violation of the Simone Apartments' Regulatory Agreement and the Simone 2015's Regulatory Agreement, Exhibit B, Unit Designations and Rent Schedule.

Required Action:

The Simone Apartments / Simone 2015 RA require that SRHT provide affordable housing along with a number of assisted units. Any changes to the RA require the Department's prior written approval. SRHT must not hold units vacant and must maintain a waiting list in order to expedite the lease-up process at the next available vacancy.

Finding #4**Misuse of Simone 2015 project funds to fund relocation expenses for the Edward Hotel– *Edward Hotel and Simone Apartments / Simone 2015***

According to the relocation plan and verbally confirmed by SRHT, SRHT utilized funds from the development funding sources for Simone 2015 to fund the relocation expenses for the Edward Hotel tenants in the amount of \$219,334. Relocation expenses of Edward Hotel's tenants are not an eligible use of Simone 2015's funds. Simone 2015's relocation funds are to be used solely for its tenants.

Required Action:

No later than 60 days from the date of this notice, SRHT, the entity, must deposit \$219,334 into the underfunded Replacement Reserve account at Simone Apartments / Simone 2015. SRHT must submit a bank statement reflecting the \$219,334 deposit and the current balance of the Simone Apartments/Simone 2015 Replacement Reserve account, and proof the \$219,334 came from a SRHT account, not tied to a project.

Finding #5

Outstanding payments due to the Department – Charles Cobb Apartments, Simone Apartments, and Simone 2015

Project	Loan Number	Outstanding Payment	Invoice Date and Number	Type of Payment	Delinquency
Charles Cobb Apartments	06-MHP-0251	\$17,860	11/18/2020 Invoice Number: HCD20001344-F0	2020 Annual .42	More than 90 days
Simone Apartments	16-LPR-0024	\$33,452 \$10,586	01/15/2021 Invoice Numbers: HCD20001692-R0 for \$33,452 HCD20001724-R0 for \$10,586	2018 Residual Receipt 2019 Residual Receipt	More than 30 days
Simone 2015	17-VHHP-1157	\$28,058	01/15/2021 Invoice Number: HCD20001690-R0	2019 Residual Receipt	More than 30 days

The Department's Financial Management Office (FMO) sent notices to SRHT for the above-referenced outstanding payments. Please be advised that any Department delay to send an invoice, or notice of non-receipt of an invoice, does not relieve the Borrower of its obligation to make payments when due, per the Regulatory Agreement.

Required Action:

SRHT must submit all outstanding payments due to the Department no later than 60 days from the date of this notice (invoices attached).

Finding #6

Loan Closing Branch - Pending Issues – Southeast 1

In order to close Southeast 1, the following items must be submitted to Paul Tompkins in the Loan Closing Branch:

- A detailed scope of work to fix the ADA compliance issues and approval from the City of Los Angeles to complete the work.

- A detailed plan from SRHT explaining how the court ordered inspector will be able to inspect the property and clear the ADA compliance issues.
- Approval from the City of Los Angeles that they will execute the HCD Subordination Agreement.
- Updated draft cost certificate that includes an itemization of the use of \$492,370.00, from the Capitalized Replacement Reserve funds.
- Proof that Wells Fargo Bank, the construction lender, extended the construction loan and the Notice of Default has been cured.

Required Action:

SRHT must submit the above requested information/documents within 60 days of this notice for the Department to agree to close on the permanent loan. If these items are not received, the Department cannot close and fund Southeast 1. Questions pertaining to this loan closing can be addressed to Paul Tompkins, Loan Closing Branch Specialist, at 916-263-1072 or paul.tompkins@hcd.ca.gov.

Finding #7

Late Compliance Report Submittals (Annual Reports)- *Charles Cobb Apartments, Crescent Hotel, Edward Hotel, Hart Hotel, New Genesis Apartments, New Pershing Apartments, Produce Hotel, Sanborn Hotel, Simone Apartments / Simone 2015, St. Mark's Hotel, and Star Apartments*

The Regulatory Agreements for all loans noted above stipulate that the Borrower shall report to the Department, no later than 60 or 90 days after the end of each Fiscal Year for the specified Development.

CHRP Regulatory Agreement (Section 16)

Annual Report - The Borrower shall file with the Department an Annual Report, pursuant to Section 7695 of the Program Regulations, no later than 60 days after the end of each fiscal year as established for the Development pursuant to Section 19(a) of this Agreement. The report shall contain such information as is required by Section 7695 of the Program Regulations.

All Other Programs (Section 17)

Annual Report and Audit - Borrower shall file an annual report with the Department no later than ninety (90) days after the end of each Fiscal Year for the Development. The report shall be in such a form and contain such information as required by the Department.

In reviewing the past 3 years of audit submittals, the Department's records show 95% of the required annual audit reports were late as shown in the table on the following page

Submittal Dates of Audit Reports to the Department

Compliance Report Audits	Report Due Date	2019 received	2018 received	2017 received
Charles Cobb Apts.	April 1 st	9/3/2020	09/03/2019	5/2/2018
Crescent Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Edward Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Hart Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
New Genesis Apts.	April 1 st	4/21/2020	4/12/2019	5/16/2018
New Pershing Apts.	April 1st	09/16/2020	04/01/2019 (on time)	3/29/2018 (on time)
Produce Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Sanborn Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Simone Apartments	April 1 st	All reporting requirements to the new loan (Simone 2015) and they are no longer being tracked in Simone Apts.	07/11/2019	11/14/2018
Simone 2015	April 1st	6/01/2020	Not required	Not required
Skid Row Central 1	April 1 st	06/01/2020	N/A: perm closed 12/31/2018	N/A: perm closed 12/31/2018
Skid Row Southeast 1	April 1 st	06/19/2020	12/14/2019	05/02/2018
St. Mark's Hotel	March 1st	12/8/2020	10/30/2019	8/13/2018
Star Apts.	April 1 st	9/14/2020	07/25/2019	04/2/2018

Required Action:

SRHT must comply with the Department's annual compliance reporting requirements and timelines as stated in each of the projects' RAs. Failure to comply may result in the following, but not limited to, negative points on future funding applications, delays in loan closings and transactions, and/or other remedies allowed under the loan documents, including recording a notice of default and/or foreclosure.

Finding #8

Late Compliance Report Submittals (Proposed Operating Budget, and Schedule of Rental Income) - Charles Cobb Apartments, Crescent Hotel, Edward Hotel, Hart Hotel, New Genesis Apartments, New Pershing Apartments, Produce Hotel, Sanborn Hotel, Simone Apartments / Simone 2015, St. Mark's Hotel, and Star Apartments

The RAs for all loans noted above stipulate that the Borrower shall report to the Department, 60 days prior to the beginning of each Fiscal Year for the specified Development.

CHRP Regulatory Agreement (Section 19)**Annual Operating Budget**

No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the Department a proposed annual operating budget on a form provided by the Department. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses, and debt service for the upcoming year, reserves, proposed rent adjustments, and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the Department.

All Other Programs (Section 15)**Annual Operating Budget**

No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the Department a proposed annual operating budget on a form provided by the Department. The proposed annual operating budget shall set forth the Borrower's estimate of the operating income, operating expenses, and debt service for the upcoming year, amounts payable to reserves, and proposed rent adjustments.

The Department's records show 100% of the proposed operating budget and schedule of rental income reports were late for the past three years as shown in the table on the following page.

Submittal Dates of Proposed Operating Budget and Schedule of Rental Income (SRI) Reports to the Department

Compliance Report Budgets and SRIs	Report Due Date	2020 received	2019 received	2018 received
Charles Cobb Apts.	November 1 st	12/10/2019	12/6/2018	11/30/2017
Crescent Hotel	November 1st	12/17/2019	12/7/2018	12/4/2017
Edward Hotel	November 1st	Sponsor requested waiver	Sponsor requested waiver	12/4/2017
Hart Hotel	November 1st	12/11/2019	12/7/2018	12/4/2017
New Genesis Apts.	November 1st	12/12/2019	12/10/2018	12/4/2017
New Pershing Apts.	November 1st	12/26/2019	12/7/2018	12/7/2017
Produce Hotel	November 1st	12/12/2019	12/10/2018	12/5/2017
Sanborn Hotel	November 1st	12/17/2019	12/10/2018	12/5/2017
Skid Row Central 1	November 1 st	1/09/2020	11/8/2018	11/8/2018
Skid Row Southeast 1	November 1 st	12/3/2019	11/29/2018	12/17/2017
Simone Apartments	November 1 st	Reporting Requirements to Simone 2015	Reporting Requirements to Simone 2015	12/14/2017
Simone 2015	November 1st	12/17/2019	11/28/2018	Not required
St. Mark's Hotel	November 1st	12/12/2019	12/10/2018	12/5/2017
Star Apts.	November 1st	12/17/2019	12/5/2018	11/30/2017

Required Action:

SRHT must comply with the Department's annual compliance reporting requirements and timelines as stated in each of the projects' Regulatory Agreements. Failure to timely comply could result in the following, but not limited to, negative points on future applications, delays in future funding and transactions, and/or other remedies allowed under the loan documents, including recording the notice of default and/or foreclosure.

Summary of Findings

- Finding #1 – Removing tenants from the Edward Hotel without the Department's prior written consent and keeping the project vacant
- Finding #2 – Unauthorized withdrawals from Operating Reserve Account
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SRHT's history of compliance violations, including late payments, unapproved withdrawals of funds from restricted accounts, vacating units without the Department's prior written approval, purposefully keeping units vacant, continual late report submittals, coupled with a noticeably high staff turnover and lack of knowledge of the Department's requirements at SRHT, causes the Department grave concern. The Department is worried about the productivity and capacity of SRHT to own, operate, and self-manage affordable housing developments.

The Department has identified eight (8) compliance findings that that need to be resolved, or the Department will pursue any and all available legal action(s). The compliance violations outlined above are all considered individual defaults on the separate projects and it is within the Department's discretion to assign negative points on future funding application(s) and/or withhold approval of future funding or transactions with SRHT.

With the foregoing in mind, the Department acknowledges that SRHT has requested to resyndicate and demolish the Edward Hotel project. As stated in the Department's correspondence dated September 25, 2020, the demolition activities must not be started until the Department provides written approval. The Department rarely, if ever, approves demolition of its security. To date, the Department has not provided written approval of the Edward Hotel demolition and resyndication, especially since SRHT has yet to provide all the necessary documents for the Department to appropriately evaluate and underwrite this transaction. Furthermore, given the seriousness of the numerous violations discussed above, the Department continues to have significant concerns about allowing the demolition of the Edward Hotel and cannot consider moving forward

until SRHT takes the specified corrective actions and resolves the above-referenced compliance findings.

The Department is seeking to resolve these matters in an efficient and accurate manner. All correspondence may be addressed to Rebecca Weber of the Compliance Resolution Program at Rebecca.Weber@hcd.ca.gov or you may send to the location specified on the Department's letterhead. Please note, if the Department does not receive a response within 60 days, the Department will interpret that to be a refusal to respond, which refusal shall be subject to all default and other remedies applicable based on the Department's loan documents and program requirements.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Seeger". The signature is fluid and cursive, with the first name being more prominent.

Jennifer Seeger
Deputy Director

cc: Scott Barshay

Enclosures:

Skid Row Housing Trust Project List
Pre-NOD dated September 29, 2020
Financial Management Office Invoice for Outstanding Payments

Skid Row Housing Trust Project Listing

California Housing Rehabilitation Program Component (CHRP) Agreement Numbers: *Crescent Hotel (90-CHRP-0068), Edward Hotel (91-CHRP-0102), Hart Hotel (90-CHRP-0069), Produce Hotel (90-CHRP-0084), Sanborn Hotel (90-CHRP-0085), St. Mark's Hotel (90-CHRP-0051),*

Housing Loan Conversion Program (HCLP) Agreement Numbers: *New Genesis Apartments (12-HLCP-0007) (87-SUHRP-0272), New Pershing (12-HLCP-0008 combined 87-SUHRP-0259 and 89-CHRP-0011)*

Multifamily Housing Program (MHP) Agreement Number: *Charles Cobb Apartments (06-MHP-0251)*

Rental Housing Construction Program-Bond (RHCP-B) / Loan Portfolio Restructuring Program (LPR) Agreement Numbers: *Simone Apartments (90-RHCP-0026) (16-LPR-0024)*

Supportive Housing Multifamily Housing Program (SHMHP) Agreement Numbers: *Star Apartments (08-SHMHP-5948), The Abbey Apts. (05-SHMHP-0037); New Pershing (11-SHMHP-7919)*

Veterans Housing and Homelessness Prevention Act (VHHP) Agreement Numbers: *Simone 2015 (17-VHHP-11575); Skid Row Central 1 (16-VHHP-11416), Skid Row Southeast 1 (14-VHHP-10436)*

Loan Portfolio Restructuring Program (LPR) Agreement Numbers: *Skid Row Southeast 1 (15-LPR-0007 combined Olympia Hotel, 90-RHCP-0025 and Las Americas Hotel, 90-CHRP-0076)*

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**2020 W. El Camino Avenue, Suite 400
Sacramento, CA 95833

or

P. O. Box 952054
Sacramento, CA 94252-2054
(916) 263-1010www.hcd.ca.gov

September 29, 2020

Lee Raagas, Chief Executive Officer
Skid Row Housing Trust, Inc.
1317 E. 7th Street
Los Angeles, CA 90021**RE: Preliminary Notice of Declaration of Default**Edward Hotel
91-CHRP-R-102
713 East 5th Street
Los Angeles, CA 90013

Dear Ms. Raagas:

Please be advised that the Borrower identified below is in violation of its loan obligations to the Department of Housing and Community Development, a public agency of the State of California (the "Department").

This letter is a preliminary notice of default, and a formal notice (the "Notice") that Edward Hotel Limited Partnership, a California limited partnership (the "Borrower"), is currently in breach of the One Million One Hundred Seventy-Five Thousand Dollars (\$1,175,000.00) California Housing Rehabilitation Program – Rental Component loan ("CHRP"), contract number 91-CHRP-R-102 ("CHRP Loan"). The CHRP Loan was made pursuant to loan documents as described below, which were entered into by the Borrower and the Department for the rental housing development known as Edward Hotel (the "Development"). The Development is located at the real property address of 713 East 5th Street, City of Los Angeles, County of Los Angeles, State of California (the "Property").

This letter constitutes formal written notice that Edward Hotel Limited Partnership is in breach of:

1. The CHRP regulatory agreement (the "CHRP Regulatory Agreement") dated on December 30, 1993 and the Memorandum of Regulatory Agreement dated December 22, 1993 (the "CHRP Memorandum of Regulatory Agreement") recorded in the Official Records of the County of Los Angeles, California (the

- "Official Records") on December 30, 1993, as Instrument No. 93-2544245 (collectively, the "CHRP Regulatory Agreement").
2. The CHRP Promissory Note dated December 30, 1993, evidencing the CHRP Loan in the amount of \$1,175,000.00 (the "CHRP Note").
 3. The CHRP Deed of Trust, Assignment of Rents dated December 30, 1993 and recorded in the Official Records on December 30, 1993, as Instrument No. 93-2544246 (the "CHRP Deed of Trust"), which secured the CHRP Note and the CHRP Regulatory Agreement.

The CHRP Regulatory Agreement, CHRP Deed of Trust, and the CHRP Note are collectively referred to herein as the "CHRP Loan Documents."

The following violation constitute a breach of the CHRP Loan Documents:

1. Failure to notify and obtain approval from the Department prior to removing all the tenants of the Development, in violation of paragraph 14(b) of the CHRP Regulatory Agreement and the CHRP Deed of Trust which secures the performance of the covenants and agreements of Borrower contained in, among other things, the CHRP Loan Documents.

In order to cure this breach, on or before 30 days from the date of this letter, Borrower must furnish the Department with the following items:

- Relocation Plan for Edward Hotel
- The Notice to Vacate sent to the tenants and any other notices sent to the tenants regarding displacement
- Rent roll for the Edward Hotel prior to removing the tenants
- Explanation of where the tenants went, including relocation costs, temporary housing stipends, Last Resort Housing payments, etc.
- If the tenants were relocated to another property, please provide a current rent roll for that property specifying the Edward Hotel tenants, their date of occupancy, the rental amount charged, and whether any existing tenant in the other properties were relocated to make room available for Edward Hotel tenants.
- Detailed plan, proposal, and timeline for the Edward Hotel that complies with the CHRP Loan Documents and may include a LPR application.
- Explanation/detailed plan on keeping the Edward Hotel secure and safe from vandalism and squatters while the project is vacant

If, after 30 days from the date of this Notice, the above breach remains uncured, the Department shall take any and all actions necessary to protect its security interest in the Property, including but not limited to recording a Notice of Default in the Official Records, acceleration of the debt and foreclosure sale of the Property.

September 29, 2020

The Department may seek reimbursement for all fees and costs relating to the Borrower's breaches and relating to the Department's pursuit of its remedies referenced above. The Borrower has the right of reinstatement if acceleration is pursued and obtained. Additionally, Borrower has the right to bring a court action to dispute the existence of a breach or assert any defense to the acceleration and sale of the property.

The Department, through this Notice, does not expressly or implicitly waive any other breaches or remedies that may exist under the CHRP Loan Documents, or any other loan or contract documents.

If you have any questions, please contact me at (916) 263-1010 or rweber@hcd.ca.gov.

Sincerely,



Rebecca Weber
Manager, Compliance Resolution Program

Cc: Nadia Litovskaya, Director of Asset Management
Greg Smith, Director of Finance

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
ADMINISTRATION AND MANAGEMENT DIVISION**

**Fiscal Management Branch
Financial Management Office**
2020 West El Camino Avenue, Suite 330, Sacramento, CA 95833
P.O. Box 952050, Sacramento, CA 94252-2050



INVOICE

To: Nadia Litovskaya, Director of Asset Management
Simone 2015, LP
1317 E. 7th Street
Los Angeles, CA 90021

Invoice #: HCD20001690-R0
Date: Jan 15, 2021
Terms: Due Upon Receipt
Amount Due: \$28,058.00

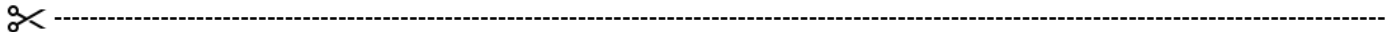
RE: Veterans Housing and Homelessness Prevention (VHHP)
2019 Annual Report/Audit Review
Project Name: Simone 2015
Loan Number: 17-VHHP-11575

Annual Year	Description	Amount
2019	Required residual receipt payment due based on the Annual Report and in accordance with the Regulatory Agreement.	\$28,058.00
TOTAL DUE		\$28,058.00

Contact Information

Elizabeth Bass at (916) 263-1997 or via email at elizabeth.bass@hcd.ca.gov

▽ **PLEASE DETACH AND MAIL WITH YOUR CHECK OR MONEY ORDER PAYABLE TO**
DEPT. OF HOUSING & COMMUNITY DEVELOPMENT ▽



Mail To: Dept. of Housing & Community Development
Accounting Office, Ste. 300
PO Box 952050
Sacramento, CA 94252-2050

RE: Simone 2015, LP
Project Name: Simone 2015
Loan Number: 17-VHHP-11575
INVOICE AMOUNT DUE: \$28,058.00
2019 Annual Report/Audit Review

TC	FY	SUBSIDIARY	CURR DOC	IND/RSN	OBJ / ACCT NO	PCA/SL	AMOUNT	SOURCE / ALT ACCT
121	2019		HCD20001690-R0	22408000		86031	\$28,058.00	4150600000

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
ADMINISTRATION AND MANAGEMENT DIVISION**

**Fiscal Management Branch
Financial Management Office**

2020 West El Camino Avenue, Suite 330, Sacramento, CA 95833
P.O. Box 952050, Sacramento, CA 94252-2050



INVOICE

To: Nadia Litovskaya, Director of Asset Management
Simone 2015, LP
1317 E. 7th Street
Los Angeles, CA 90021

Invoice #: HCD20001692-R0

Date: Jan 15, 2021

Terms: Due Upon Receipt

Amount Due: \$33,452.00

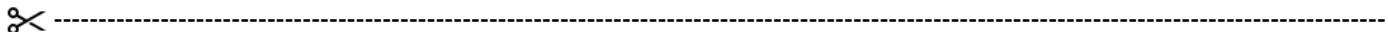
RE: Loan Portfolio Restructuring (LPR)
2018 Annual Report/Audit Review
Project Name: Simone Apartments
Loan Number: 16-LPR-0024 (90-RHCP-0026)

Annual Year	Description	Amount
2018	Required residual receipt payment due based on the Annual Report and in accordance with the Regulatory Agreement.	\$33,452.00
TOTAL DUE		\$33,452.00

Contact Information

Elizabeth Bass at (916) 263-1997 or via email at elizabeth.bass@hcd.ca.gov

▽ **PLEASE DETACH AND MAIL WITH YOUR CHECK OR MONEY ORDER PAYABLE TO**
DEPT. OF HOUSING & COMMUNITY DEVELOPMENT ▽



Mail To: Dept. of Housing & Community Development
Accounting Office, Ste. 300
PO Box 952050
Sacramento, CA 94252-2050

RE: Simone 2015, LP
Project Name: Simone Apartments
Loan Number: 16-LPR-0024 (90-RHCP-0026)
INVOICE AMOUNT DUE: \$33,452.00
2018 Annual Report/Audit Review

TC	FY	SUBSIDIARY	CURR DOC	IND/RSN	OBJ / ACCT NO	PCA/SL	AMOUNT	SOURCE / ALT ACCT
121	2020		HCD20001692-R0	22408000		83031	\$33,452.00	4150600000

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
ADMINISTRATION AND MANAGEMENT DIVISION**

**Fiscal Management Branch
Financial Management Office**

2020 West El Camino Avenue, Suite 330, Sacramento, CA 95833
P.O. Box 952050, Sacramento, CA 94252-2050



INVOICE

To: Nadia Litovskaya, Director of Asset Management
Simone 2015 LP
1317 E. 7th Street
Los Angeles, CA 90021

Invoice #: HCD20001724-R0

Date: Jan 15, 2021

Terms: Due Upon Receipt

Amount Due: \$10,586.00

RE: Loan Portfolio Restructuring (LPR)
2019 Annual Report/Audit Review
Project Name: Simone Apartments
Loan Number: 16-LPR-0024 (90-RHCP-0026)

Annual Year	Description	Amount
2019	Required residual receipt payment due based on the Annual Report and in accordance with the Regulatory Agreement.	\$10,586.00
TOTAL DUE		\$10,586.00

Contact Information

Elizabeth Bass at (916) 263-1997 or via email at elizabeth.bass@hcd.ca.gov

▽ **PLEASE DETACH AND MAIL WITH YOUR CHECK OR MONEY ORDER PAYABLE TO**
DEPT. OF HOUSING & COMMUNITY DEVELOPMENT ▽



Mail To: Dept. of Housing & Community Development
Accounting Office, Ste. 300
PO Box 952050
Sacramento, CA 94252-2050

RE: Simone 2015 LP
Project Name: Simone Apartments
Loan Number: 16-LPR-0024 (90-RHCP-0026)
INVOICE AMOUNT DUE: \$10,586.00
2019 Annual Report/Audit Review

TC	FY	SUBSIDIARY	CURR DOC	IND/RSN	OBJ / ACCT NO	PCA/SL	AMOUNT	SOURCE / ALT ACCT
121	2020		HCD20001724-R0	22408000		83031	\$10,586.00	4150600000

File: REL0000000059.MSG 229888 bytes

RE: Skid Row Housing Trust Portfolio Findings Letter

From: Le, Mai@HCD

To: [Lee Raagas <lee@skidrow.org>](mailto:lee@skidrow.org)

CC: Suggs, Lindy@HCD ; Weber, Rebecca@HCD ; Losoya, Kim@HCD ; Fong, Tiffany@HCD ; [Scott Barshay <sbarshay@gubbandbarshay.com>](mailto:sbarshay@gubbandbarshay.com) ; Alvarez, Emeline@HCD ; Chapman, Kimberly@HCD ; Smoot, Doug@HCD ; Johnston, Brian@HCD ; Tompkins, Paul@HCD ; Fletcher, Reginald@HCD ; Shimizu, Lorrinda@HCD ; [Sierra Atilano <sierra.atilano@skidrow.org>](mailto:sierra.atilano@skidrow.org) ; [Greg F. Smith <greg.smith@skidrow.org>](mailto:greg.smith@skidrow.org) ; [Nadia Litovskaya <nadia.litovskaya@skidrow.org>](mailto:nadia.litovskaya@skidrow.org)

Sent time: 20 Jul, 2021 10:41:32 PM

Dear Ms. Lee Raagas,

As of today, the Department's systems still show we have not received the outstanding payments for Simone Apartments and Simone 2015. A request was sent to **Nadia Litovskaya** last **Friday, July 16th**, for SRHT to send verification of the \$72,096 payment to HCD, along with the \$219,334 deposit slip made to the RR account.

Please advise and send over the requested information.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

*mai.le@hcd.ca.gov | ((916) 562-5826

From: Le, Mai@HCD

Sent: Friday, July 16, 2021 9:06 AM

To: Lee Raagas <lee@skidrow.org>

Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>

Subject: RE: Skid Row Housing Trust Portfolio Findings Letter

Thank you for the confirmation Ms. Raagas.

The Department will continue to monitor our system for the HCD Payments made by SRHT to the appropriate projects (Simone Apartments and Simone 2015) and will wait for the bank statements once it provides the verification of the \$219,334 deposit into the Replacement Reserve account at Simone Apartments / Simone 2015.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

*mai.le@hcd.ca.gov | ((916) 562-5826

From: Lee Raagas <lee@skidrow.org>

Sent: Thursday, July 15, 2021 10:52 PM

To: Le, Mai@HCD <Mai.Le@hcd.ca.gov>

Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>; Nadia Litovskaya <nadia.litovskaya@skidrow.org>

Subject: Re: Skid Row Housing Trust Portfolio Findings Letter

Dear Mai and Rebecca,

Again, thank you for your communication, support, and partnership over this past year. Please know the deposits identified below are in transit at the amounts and to the accounts outlined. In addition, I've included our CFO, Nadia Litovskaya on this correspondence for future and/or additional point of contact information as well as documentation requests.

Please also know we will send Bank Statements showing the balances starting at the end of this month and for the following 90 days as a record of our adherence to this requirement.

Looking forward to moving forward in our post pandemic transition(s) together and getting back to serving our collective communities and their housing needs.

In Gratitude,

Lee Raaga | Skid Row Housing Trust

President and Chief Executive Officer

e lee@skidrow.org

t. [213-683-0522 x1820](tel:213-683-0522)

a HQ 1317 E. 7th St. Los Angeles CA 90021

www.skidrow.org [[skidrow.org](http://www.skidrow.org)]

www.skidrow.org [[skidrow.org](http://www.skidrow.org)]

[Facebook \[facebook.com\]](https://www.facebook.com/skidrow.org) | [Twitter \[twitter.com\]](https://twitter.com/skidrow) | [Instagram \[instagram.com\]](https://www.instagram.com/skidrow)

[Join our mailing list \[skidrow.org\]](http://www.skidrow.org).

This message and any attached documents contain information from Skid Row Housing Trust that may be confidential and/or privileged. If you are not the intended recipient, you may not read, copy, distribute, or use this information. If you have received this transmission in error, please notify the sender immediately by reply e-mail and then delete this message.

From: Le, Mai@HCD <Mai.Le@hcd.ca.gov>

Sent: Wednesday, June 23, 2021 7:31 PM

To: Lee Raagas <lee@skidrow.org>

Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>

Subject: RE: Skid Row Housing Trust Portfolio Findings Letter

*****This is an External email*****

Dear Ms. Lee Raagas,

The Department of Housing and Community Development (The Department), is reviewing Skid Row Housing Trust's (SRHT) response (attached), to the April 14th Findings Letter, delivered to your organization on April 19th via email. In an effort to ensure SRHT receives adequate timely responses to your agency's requests, the Compliance and Resolution Program is approving the following extensions until July 15, 2021 for the following findings:

1. Finding #4: Misuse of Simone 2015 project funds to fund relocation expenses for the Edward Hotel– Edward Hotel and Simone Apartments / Simone 2015.

The Department approves SRHT's request for an additional 30 days, but no later than 07/15/21, to deposit \$219,334 into the underfunded Replacement Reserve account at Simone Apartments / Simone 2015.

2. Finding #5: Outstanding payments due to the Department – Charles Cobb Apartments, Simone Apartments, and Simone 2015.

The Department approves SRHT's request for an additional 30 days, but no later than 07/15/21, to pay the outstanding \$72,096. We acknowledge the annual fee for Charles Cobb Apartments has been paid as of December 2020.

All correspondence may be addressed to Rebecca Weber, Section Chief of the Compliance Resolution Program at Rebecca.weber@hcd.ca.gov.

Thank you,

Mai Le | Specialist – Compliance Resolution Program
Division of State Financial Assistance
California Department of Housing & Community Development
2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833
*mai.le@hcd.ca.gov | ((916) 562-5826

From: Lee Raagas <lee@skidrow.org>
Sent: Monday, April 19, 2021 3:40 PM
To: Le, Mai@HCD <Mai.Le@hcd.ca.gov>
Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD

From: Le, Mai@HCD <Mai.Le@hcd.ca.gov>
Sent: Monday, April 19, 2021 1:44 PM
To: Lee Raagas <lee@skidrow.org>
Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>
Subject: Skid Row Housing Trust Portfolio Findings Letter

*****This is an External email*****

Dear Ms. Lee Raagas:

On February 17, 2021, our team at the Department of Housing and Community Development (“Department”) met with the staff at Skid Row Housing Trust (SRHT) to discuss pending matters in relation to the Preliminary Notice of Declaration of Default for the **Edward Hotel – (91-CHRP-0102)**. On behalf of the Deputy Director, Financial Assistance -State Office, attached is the Department’s concluded Portfolio Findings Letter, which SRHT was made aware of at the meeting and had been expecting. I will be sending a copy of the report via overnight mail.

A “Finding” is a deficiency in performance based on a statute, regulation, guideline, and/or regulatory agreement. There are **eight (8) Findings** detailed in the letter, along with the following attachments:

- Skid Row Housing Trust Project List
- Pre-NOD dated September 29, 2020
- Financial Management Office Invoice for Outstanding Payments

Please respond to all of the “Required Corrective Action” identified within the time stated in the letter.

All correspondence regarding this letter may be addressed to Rebecca Weber, Section Chief of the Compliance Resolution Program at Rebecca.weber@hcd.ca.gov.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

*mai.le@hcd.ca.gov | ((916) 562-5826

File: REL0000000061.MSG 357376 bytes

SRHT - All public funders request

From: Weber, Rebecca@HCD

To: rex.b.jones@wellsfargo.com ; emil@forbix.com ; dwaite@coxcastle.com ;
skidmore@crainandassociates.com ; patrick.spillane@outlook.com ;
ballen@burnhambenefits.com ; dmahoney@pebuilders.com ;
pgregerson@jwchinstitute.org ; bhenwood@usc.edu ;
nancy.geller@gmail.com ; jennifer.christian-herman@blueshieldca.com ; [Lee Raagas <lee@skidrow.org>](mailto:Lee.Raagas@skidrow.org) ; [Sierra Atilano <sierra.atilano@skidrow.org>](mailto:Sierra.Atilano@skidrow.org) ;
[Antonio Le Mons <antonio.le.mons@skidrow.org>](mailto:Antonio.Le.Mons@skidrow.org) ; [Nadia Litovskaya <nadia.litovskaya@skidrow.org>](mailto:Nadia.Litovskaya@skidrow.org) ; [Simon Ha <sha@steinberg.us.com>](mailto:Simon.Ha@steinberg.us.com) ;
[Martice Mills <martice.mills@thecapitalcorps.com>](mailto:Martice.Mills@thecapitalcorps.com) ; [Max Kolomeyer <max.kolomeyer@forbix.com>](mailto:Max.Kolomeyer@forbix.com)

CC: lynn.katano@lacda.org ; carlos.vannatter@hacla.org ;
ryan.mulligan@hacla.org ; mfunk@dmh.lacounty.gov ;
lshimkhada@dhs.lacounty.gov ; ann.sewill@lacity.org ;
smahin@dhs.lacounty.gov ; Seeger, Jennifer@HCD ; Suggs, Lindy@HCD ;
Losoya, Kim@HCD

Sent time: 11 Dec, 2021 2:56:36 AM

Attachments: [SRHT - All Funders 12-10-2021.pdf](#)

Lee Raagas and Members of the Board:

Please find the attached letter from the public funders and note that the public funders would like to meet on Thursday, December 16, 2021 at 4:00pm to discuss the mutual concerns regarding Skid Row Housing Trust.

Please let me know by 5pm on Monday, December 13, 2021 to confirm your availability.

Sincerely,

Rebecca Weber | Section Chief – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

* rebecca.weber@hcd.ca.gov | ((916) 890-4562



December 10, 2021

Skid Row Housing Trust
1317 East 7th Street
Los Angeles, CA 90021

RE: SKID ROW HOUSING TRUST NEXT STEPS

Dear Lee Raagas and Members of the Board:

As public funders of the projects in the Skid Row Housing Trust (SRHT or Trust) portfolio, it is our mission to help ensure Los Angeles' vulnerable communities to have stable, safe and affordable places to call home. As such, we continue to be gravely concerned about the health and well-being of the residents served by SRHT. This letter follows up on letters previously sent by the Los Angeles area agencies on June 2, 2021 and the letters sent by the California Department of Housing & Community Development (HCD) on April 14, 2021 and September 20, 2021. As stated in those letters, local and State funders have serious concerns related to Skid Row Housing Trust projects in the development pipeline and currently in service.

The undersigned funders have previously identified numerous deficiencies in SRHT's management of its finances, its capacity to complete projects and inability to resolve critical health and safety issues at developments it currently operates. SRHT has been given numerous opportunities to address these concerns but has thus far failed to do so. This letter follows years of discussions between SRHT and its various funding agencies. We are writing to you collectively, in the hope that SRHT will make significant, structural changes so it can again serve current and future residents with dignified, safe and affordable housing. Below we have provided a summary of commonly identified issues.

Please note, that the undersigned public funders are not waiving any other breaches that may exist or any of their rights.

Development Capacity

SRHT has been unable to move much-needed projects forward, due to its inability to satisfy lender requirements, causing significant delays to projects. When the lenders have inquired, SRHT has not been forthcoming or truthful about the reasons for the delays. In one project, Southeast 1, SRHT has been unsuccessful in facilitating the permanent loan conversion for several years causing the Wells Fargo construction loan to go into default prior to the recent execution of the seventh extension through end of 2021. On numerous occasions, SRHT promised to wire funds to cure the default, but then, without explanation, failed to wire the funds. Based on timelines provided by SRHT, it appears the project will not be completed within the extension period and will require yet another approval of an eighth extension from Wells Fargo. Please note, as stated in HCD's letter dated September 20, 2021, Southeast 1 must close escrow by March 31, 2022 or HCD's award will be disencumbered.

Additionally, new buildings placed in service are being delivered months later than expected and STHT has not kept partners sufficiently informed of the status or cause of delays. Critical eligibility information that is required for the Coordinated Entry System (CES) to identify matches for those units is being withheld or not provided in a timely manner. This leaves potential residents waiting too long to secure housing, and needlessly prolongs the suffering of clients experiencing homelessness.

Health and Safety Concerns

As documented by site visits conducted by both Los Angeles area lenders and HCD, there are serious ongoing habitability and safety issues at SRHT projects currently in service. Clients who are matched through the CES have spent an unusually long time waiting for units in the SRHT portfolio to be move-in ready. Data shows that dozens of people matched to units at SRHT have waited up to 350 days with no status updates. In the midst of the current housing and homelessness crisis, it is unacceptable that potential residents have to stay on the streets for far longer than necessary due to a lack of habitable units or delays in processing their housing applications.

Furthermore, many current tenants have complained about deficiencies in individual units and common areas, as well as a lack of security protocols and security staff. The observed lack of lighting in common areas and hallways poses serious safety concerns, while dirty floors and walls, and unhygienic bathrooms lacking soap and toilet paper have also been regularly observed during walkthroughs and tenancy support visits. These conditions do not contribute to a positive living experience in apartments in which high acuity i

individuals dealing with multiple health conditions reside. For example, there are several rooms in the Southeast 1 project that continue to lack functional air conditioning and heating units and, during a recent walkthrough, doorknobs were observed to be broken or missing on at least two room doors.

It has also come to our attention that two new projects, FLOR 401 and 649 Lofts, placed in service in 2021 have both lost service staff and property management staff, and are already experiencing security issues with non-residents entering and dwelling in common areas. There have also been recent reports from FLOR 401 residents about insect infestation, fire debris from the sixth floor not being cleaned up, and non-operational security cameras. California Law requires that a property manager or a responsible person be in charge of every project in which there are more than 16 units. At this time, there are at least 150 units between these two projects, and neither site has a property manager assigned on a full-time basis as of December 3, 2021. These serious health and safety issues negatively affect the mental and physical well-being of our shared clients, adding to the existing trauma of homelessness.

Additionally, as the State continues to face a shortage of affordable housing units and homelessness continues to rise, SHRT has allowed 47 units at the Edward Hotel to remain vacant for more than 3 years, contrary to the requirements of the HCD Regulatory Agreement. Furthermore, SRHT used funds from another project, Simone 2015, to pay for the relocation expenses of the Edward Hotel tenants without approval.

Public Agency Response

SRHT's public agency funders and stakeholders have collectively attempted to help SRHT correct these deficiencies. Unfortunately, SRHT has been largely unresponsive to these efforts.

Due to this lack of progress, on December 30, 2020, the Los Angeles County Development Authority (LACDA) rescinded approximately \$28 million in No Place Like Home Program funding commitments for SRHT's Ambrosia, Confianza, and Towne projects as a result of the Wells Fargo construction loan default. Similar to the actions taken by HCD, SRHT is not currently eligible to receive funding from the LACDA.

HCD has also taken the serious step of revoking SHRT's Eligible Sponsor designation, making the Trust ineligible for future state funding in a time of historic levels of new resources targeted to ending homelessness. As noted in HCD's Ineligible Sponsor Notice dated September 20, 2021, the Trust's Eligible

Sponsor status cannot be reinstated until all concerns about its organizational capacity and any outstanding defaults have been resolved to the HCD's satisfaction.

Next steps

It is critical for these problems to be addressed quickly and systematically, and the public agency funders and stakeholders want to ensure that SRHT has the capacity to move forward.

We understand SRHT is seeking partnerships with outside organizations that have capacity to complete its current projects and assume management of its existing portfolio. This would allow SRHT the time to make the significant and systemic changes that are needed and conceptually the collective lenders would be amenable to this solution.

The funders would like to schedule a meeting in December with the Board of Directors and Lee Raagas to discuss all outstanding issues and come to a mutual agreement on a path forward. We would like to hold this meeting on Thursday, December 16 at 4:00 pm. Please respond to Rebecca Weber, HCD Compliance Resolution Section Chief at Rebecca.Weber@hcd.ca.gov by Monday, December 13, 2021 to confirm your availability.

Sincerely,

Jennifer Seeger, Deputy Director, Division of State Financial Assistance
California Department of Housing and Community Development (HCD)

Sarah Mahin, Director of Housing for Health
LA County Department of Health Services (DHS)

Carlos Van Natter, Director of Section 8
Housing Authority of the City of Los Angeles (HACLA)

Lynn Katano, Director, Housing Investment & Finance Division
Los Angeles County Development Authority (LACDA)

Ann Sewill, General Manager
Los Angeles Housing Department (LAHD)

File: REL0000000062.MSG 672256 bytes

RE: Skid Row Housing Trust Portfolio Findings Letter

From: Le, Mai@HCD

To: [Lee Raagas <lee@skidrow.org>](mailto:lee@skidrow.org)

CC: Suggs, Lindy@HCD ; Weber, Rebecca@HCD ; Losoya, Kim@HCD ; Fong, Tiffany@HCD ; [Scott Barshay <sbarshay@gubbandbarshay.com>](mailto:sbarshay@gubbandbarshay.com) ; Alvarez, Emeline@HCD ; Chapman, Kimberly@HCD ; Smoot, Doug@HCD ; Johnston, Brian@HCD ; Tompkins, Paul@HCD ; Fletcher, Reginald@HCD ; Shimizu, Lorrinda@HCD ; [Sierra Atilano <sierra.atilano@skidrow.org>](mailto:sierra.atilano@skidrow.org) ; [Greg F. Smith <greg.smith@skidrow.org>](mailto:greg.smith@skidrow.org)

Sent time: 24 Jun, 2021 2:31:13 AM

Dear Ms. Lee Raagas,

The Department of Housing and Community Development (The Department), is reviewing Skid Row Housing Trust's (SRHT) response (attached), to the April 14th Findings Letter, delivered to your organization on April 19th via email. In an effort to ensure SRHT receives adequate timely responses to your agency's requests, the Compliance and Resolution Program is approving the following extensions until July 15, 2021 for the following findings:

1. *Finding #4: Misuse of Simone 2015 project funds to fund relocation expenses for the Edward Hotel– Edward Hotel and Simone Apartments / Simone 2015.*

The Department approves SRHT's request for an additional 30 days, but no later than 07/15/21, to deposit \$219,334 into the underfunded Replacement Reserve account at Simone Apartments / Simone 2015.

2. *Finding #5: Outstanding payments due to the Department – Charles Cobb Apartments, Simone Apartments, and Simone 2015.*

The Department approves SRHT's request for an additional 30 days, but no later than 07/15/21, to pay the outstanding \$72,096. We acknowledge the annual fee for Charles Cobb Apartments has been paid as of December 2020.

All correspondence may be addressed to Rebecca Weber, Section Chief of the Compliance Resolution Program at Rebecca.weber@hcd.ca.gov.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

2020 W. El Camino Avenue, Suite 400 | Sacramento, CA 95833

*mai.le@hcd.ca.gov | ((916) 562-5826

From: Lee Raagas <lee@skidrow.org>

Sent: Monday, April 19, 2021 3:40 PM

To: Le, Mai@HCD <Mai.Le@hcd.ca.gov>

Cc: Suggs, Lindy@HCD <Lindy.Suggs@hcd.ca.gov>; Weber, Rebecca@HCD <Rebecca.Weber@hcd.ca.gov>; Losoya, Kim@HCD <Kim.Losoya@hcd.ca.gov>; Fong, Tiffany@HCD <Tiffany.Fong@hcd.ca.gov>; Scott Barshay <sbarshay@gubbandbarshay.com>; Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>

Subject: Re: Skid Row Housing Trust Portfolio Findings Letter

Dear Mai,

Please accept this email as an electronic confirmation that I / the Organization received this email with attachments regarding HCD concerns.

Alvarez, Emeline@HCD <Emeline.Alvarez@hcd.ca.gov>; Chapman, Kimberly@HCD <Kimberly.Chapman@hcd.ca.gov>; Smoot, Doug@HCD <Doug.Smoot@hcd.ca.gov>; Johnston, Brian@HCD <Brian.Johnston@hcd.ca.gov>; Tompkins, Paul@HCD <Paul.Tompkins@hcd.ca.gov>; Fletcher, Reginald@HCD <Reginald.Fletcher@hcd.ca.gov>; Shimizu, Lorrinda@HCD <Lorrinda.Shimizu@hcd.ca.gov>; Sierra Atilano <sierra.atilano@skidrow.org>; Greg F. Smith <greg.smith@skidrow.org>
Subject: Skid Row Housing Trust Portfolio Findings Letter

*****This is an External email*****

Dear Ms. Lee Raagas:

On February 17, 2021, our team at the Department of Housing and Community Development (“Department”) met with the staff at Skid Row Housing Trust (SRHT) to discuss pending matters in relation to the Preliminary Notice of Declaration of Default for the **Edward Hotel – (91-CHRP-0102)**. On behalf of the Deputy Director, Financial Assistance -State Office, attached is the Department’s concluded Portfolio Findings Letter, which SRHT was made aware of at the meeting and had been expecting. I will be sending a copy of the report via overnight mail.

A “Finding” is a deficiency in performance based on a statute, regulation, guideline, and/or regulatory agreement. There are **eight (8) Findings** detailed in the letter, along with the following attachments:

- Skid Row Housing Trust Project List
- Pre-NOD dated September 29, 2020
- Financial Management Office Invoice for Outstanding Payments

Please respond to all of the “Required Corrective Action” identified within the time stated in the letter.

All correspondence regarding this letter may be addressed to Rebecca Weber, Section Chief of the Compliance Resolution Program at Rebecca.weber@hcd.ca.gov.

Thank you,

Mai Le | Specialist – Compliance Resolution Program

Division of State Financial Assistance

California Department of Housing & Community Development

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