The Nathaniel

Workforce Housing Loan Agreement

WHAT IS THE NATHANIEL?

A proposed 97-unit, 100% income-restricted apartment community — and Metro's first workforce housing development.

Location: 4421–4437 Crenshaw Boulevard — 500 feet from Metro's Leimert Park K Line Station.

Developer:
Treehouse + The Apex Collaborative

Entitlement:
Entitled; CEQA categorical exemption (Class 32 Infill)

Employee preference:
100% of units reserved for Metro employees first — recorded for 55 years.

Affordability:
All 97 units restricted at 80% AMI.

Timeline:
Groundbreaking Summer/Fall 2027 · 2-2.5 years of construction.

9 Studios

65 One-Bedrooms

23 Two-Bedrooms

WHY WORKFORCE HOUSING MATTERS

Employer-provided housing is an increasingly powerful, strategic benefit for attracting and retaining talent.

Attracts Top Talent

In labor markets facing shortages, offering housing can be a decisive factor in recruiting frontline workers.

33% of employees would prioritize housing support over a pay raise; 25% would switch jobs for better housing.

Builds Loyalty & Retention

Stable, employer-provided housing signals investment in employees' well-being and fosters long-term commitment.

Companies offering employer housing report lower turnover, as workers feel valued and secure.

Improves Productivity

Reducing commute stress, housing search burdens, and relocation hassles allows employees to focus on their work.

Rail proximity gives resident employees a realistic car-free commute to Metro's operations divisions.

Enhances Work-Life Balance

Proximity to the workplace, affordable rent, and quality amenities help employees manage time and finances.

Car-free commute savings further contribute to resident employees' household financial stability.

Source: livinsoft.com; The Nathaniel Board Report, July 2026.

BENEFITS OF PILOT WORKFORCE PROJECT NEAR LEIMERT PARK STATION

Three factors unique to this location justify it as the site for Metro's first workforce housing pilot.

Proximity to Metro Operations

The site sits near three rail divisions and one bus division — Division 16 (K Line), Divisions 14 & 21 (E Line), and Bus Division 5 — home to ~1,143 Metro employees.

Existing System Connectivity

The station's proximity to the K/E Line transfer at Expo/Crenshaw gives residents one-transfer access to Downtown LA and the broader east-west corridor today.

K Line Northern Extension

When complete, KNE adds underground transfers to the D Line (Wilshire Blvd) and B Line (Hollywood/Highland) — three rail lines, no above-ground transfers. Unique in Metro's JD pipeline.

POLICY & PROCUREMENT

Why Can't Metro Use JD Projects?

LIHTC regulations prohibit employer-restricted occupancy in tax-credit-financed housing. This prevents Metro from reserving Joint Development units for its own employees — with very limited exceptions that do not apply to transit agencies.

The Nathaniel is on private land and uses no LIHTC financing, making it the first legal pathway to an agency-wide employee preference.

How Was This Project Vetted?

May 2025	Unsolicited proposal received from Treehouse
Jul 2025	Board authorizes Phase 2 supplementary review
Dec 2025	RFI issued — 11 responses, 19 projects, ~2,438 units
Jan 2026	Board authorizes Exclusive Negotiation Agreement
Jan–Jun 2026	Continued vetting and negotiations
Jul 2026	Board authorization requested

RFI RESPONSE SUMMARY

19	9	6	2	0
Total projects identified	Meet 95+ unit scale threshold	Adjacent to a Metro rail station	Meet BOTH thresholds (HACLA)	Match Leimert Park ops connectivity

THE EMPLOYEE BENEFIT

~2,000

Metro frontline employees, **bus operators, rail operators, mechanics, maintenance staff** estimated to be income-eligible

80% AMI threshold:

~$93,300 1-person household

~$106,600 2-person household

~$119,950 3-person household

Rents:
80% AMI rents for Los Angeles County as defined by HUD or 10% discount to market

HOW THE PREFERENCE WORKS

1. **Interest list opens**

   Upon agreement execution, Metro opens an employee interest list.

2. **Pre-leasing**

   Six months before completion, Metro promotes to eligible employees.

3. **30-day window**

   When a unit opens, Metro has 30 days to refer an income-qualified employee.

4. **Public fallback**

   If no employee is referred within 30 days, unit opens to general public at ≤80% AMI.

5. **Permanent covenant**

   The preference is recorded, runs with the land, and is binding for all 55 years.

METRO’S LOAN

PROJECT CAPITAL STACK

Total Development Cost: ~$55.8M

Senior Construction Loan 49% · ~$27.3M

Metro Subordinate Loan 45% · $25.0M

State Appropriation 6% · ~$3.5M

LOAN TERMS

Loan amount	$25,000,000
Interest rate	3% simple, accruing during construction
Term	55 years from certificate of occupancy
Lien position	Subordinate to senior construction & perm loan
Revenue share	60% Metro / 40% Developer (residual receipts, refi proceeds, disposition proceeds)
Developer fee	$2.5M (~4.6% of TDC)
Metro's NPV	$7.2M (projected 55-yr distributions)

RISK MANAGEMENT

Subordination

Risk: Senior lender holds first lien — Metro's loan and preference are subordinate.

Mitigation: Senior lender must acknowledge Metro's workforce preference in writing as a continuing operating requirement.

Developer Default

Risk: In foreclosure, senior lender could extinguish subordinate interests.

Mitigation: Step-in right: Metro may assume property management role to preserve the program if senior lender takes possession.

Long-Term Ownership

Risk: Future sale could remove Metro's ability to enforce the preference.

Mitigation: Right of first refusal / first offer: Metro can acquire the project at any proposed sale, default, or foreclosure.

Construction Period

Risk: Metro is the first committed funder; senior lender not yet selected.

Mitigation: Milestone-based disbursements, draw inspection rights, and cure rights protect Metro's capital during construction.

Staff Recommends the Board Authorize:

1. AUTHORIZING the Chief Executive Officer (CEO), or designee, to execute and enter into a loan agreement and other related documents ("Loan Documents") with Treehouse Leimert or affiliated entity, a joint venture between Leimert PropCo LLC (Treehouse) and The Apex Collaborative LLC (collectively, "Developer"), to provide up to $25,000,000 in development financing in support of the construction of The Nathaniel, a 97-unit workforce housing development located at 4421–4437 Crenshaw Boulevard, Los Angeles, CA 90043 (the "Project");

2. AUTHORIZING the CEO, or designee, to negotiate and execute a recorded regulatory agreement establishing a Metro employee housing preference for 100% of the Project units, to be acknowledged by the senior lender; and

3. FIND that the Project is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15332 (Class 32 – Infill Development), as previously determined by the City of Los Angeles under Case No. DIR-2021-7732-TOC-DRB-SPP-HCA;