FREQUENTLY ASKED QUESTIONS

# Workforce Housing Development

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| **Project** | 97-unit workforce housing development |
| **Location** | 4421–4437 Crenshaw Boulevard, Los Angeles, CA 90043 |
| **Transit access** | 500 feet / 3–4 minute walk to Leimert Park K Line Station |
| **Metro's action** | $25,000,000 construction loan |
| **Employee benefit** | 100% of units carry a recorded Metro employee housing preference |
| **Affordability** | All units restricted at 80% AMI |
| **Unit mix** | 9 studios · 65 one-bedrooms · 23 two-bedrooms |
| **Loan terms** | 55 years; Metro receives 60% of residual receipts, refinancing, and disposition proceeds |
| **Groundbreaking** | Targeted Summer / Fall 2027 |
| **Developer** | Treehouse + The Apex Collaborative |

## WHY THIS LOCATION

### Why Leimert Park Station specifically?

**Proximity to Metro operations facilities.** The Project presents an advantageous location for the proposed workforce housing pilot due to its proximity to the Leimert Park Station, and its position within Metro's rail network. The proposed development is located near three rail divisions and one bus division: Division 16 (K Line), Divisions 14 and 21 (E Line), and Bus Division 5. A total of approximately 1,143 Metro employees are assigned to or support these divisions, including bus drivers, other frontline staff, and custodial, facilities maintenance, and mechanical/way maintenance personnel.

**Existing system connectivity.** The station is near the K Line's northern terminus at Expo/Crenshaw, which provides an existing transfer to the E Line and one-transfer access to Downtown Los Angeles and the broader east-west corridor.

**Future connectivity via the K Line Northern Extension.** Given the 55-year term of this agreement, future system expansion is a relevant consideration in evaluating long-term value. The KNE is currently in environmental review, and when completed, would extend the K Line underground from Expo/Crenshaw to direct transfers with the D Line at Wilshire Boulevard and the B Line at Hollywood/Highland. When the KNE moves forward, Metro employee residents would gain access to three of Metro's six rail lines, a level of connectivity not currently available at most other Metro station sites.

## THE EMPLOYEE BENEFIT

### Who is eligible to live at The Nathaniel?

Any active Metro employee whose household income is at or below 80% of Area Median Income (AMI) for Los Angeles County would be income-eligible. Staff estimates that approximately 2,000 Metro frontline employees would likely qualify.

### How does the employee housing preference work in practice?

The employee preference will be secured through a recorded regulatory agreement that runs with the land. The mechanism works as follows:

- Upon completion of the agreement, Metro will open an interest list for employees.
- Pre-leasing and promotion to active Metro employees begins six months before project completion.
- When a unit becomes available (at initial lease-up or upon vacancy), Metro has a defined identification window (up to 30 days) to refer an income-qualified employee to the unit.
- If no eligible employee is referred within that window, the unit may be offered to the general income-qualifying public.
- Metro maintains access to the waitlist and receives regular reporting from the property manager to track employee occupancy and upcoming vacancies.

Income qualification and background screening will be handled by the property manager. Metro's role is to confirm employment status and refer eligible employees from its maintained waitlist.

### What is the financial benefit to Metro employees who live there?

Rents at The Nathaniel would be set at the lesser of the 80% AMI rent or a minimum 10% discount to comparable market-rate rents in the immediate area. Beyond the rent savings, the project's location gives employees a realistic path to living car-free, further contributing to household financial stability.

## METRO'S INVESTMENT

### Does Metro get repaid?

Metro's loan is structured as a residual receipts loan, meaning annual distributions to Metro come from cash flow remaining after operating expenses and senior debt service are paid. Annual distributions are expected to be modest during the stabilized operating period.

Metro's strongest path to full repayment of its principal and accrued interest, along with its 60% share of any appreciation in the property's value, is at a refinancing or disposition event. Over 55 years, Metro's projected distributions have a net present value of $7.2 million.

## RISK MANAGEMENT

### What happens to Metro's preference if the Developer defaults or the property is foreclosed?

The senior lender will hold first lien position on the property, consistent with standard real estate finance practice. Metro's loan and the recorded employee housing preference will be subordinate to the senior lender's claim. In the event of a developer default followed by foreclosure, the senior lender could, in enforcing its rights, extinguish subordinate interests. Staff will seek two specific protections in the final loan agreement to address this risk:

- **Step-in right.** Metro will seek a right to assume the property management role in the event of default or foreclosure, allowing Metro to maintain operational control and preserve the workforce housing preference even if the senior lender takes possession.

- **Right of first refusal / first offer.** Metro will seek a purchase right allowing it to acquire the project, or the senior lender's interest in the project, in the event of a proposed sale, a developer default, or foreclosure.

### Why is Metro acting as the first investor, before a senior lender is committed?

Board authorization of the loan agreement is the necessary first step that enables the developer to approach conventional lenders with a committed capital stack.

The developer does not anticipate requiring any additional source of public subsidy beyond Metro's loan and the state appropriation already identified.

### How is Metro's loan protected during construction?

Metro's loan documents will include standard construction-period protections, including milestone-based disbursement conditions, rights to inspect the project and review draw requests, and cure rights in the event of a developer default.

### How do we know that the senior lender will honor Metro’s housing preference?

Staff will condition Metro's loan on the senior lender's written acknowledgment of Metro's workforce housing preference, ensuring the preference is recognized as a continuing operating requirement of the project throughout the life of the loan.

## POLICY & PROCUREMENT

### Why can't Metro just include workforce housing units in its existing Joint Development projects?

Metro's existing Joint Development projects are financed using federal low-income housing tax credits (LIHTC) and other public subsidy tools, which prohibit employer-restricted occupancy. A developer cannot legally require that LIHTC-financed units be reserved for employees of a specific employer, with very limited exceptions that do not apply to transit agencies.

As a result, despite the Board's 2023 direction to pursue workforce housing options through the Joint Development program, Metro has been unable to incorporate an employee preference into any of its existing joint development projects. The Nathaniel is located on private land, does not use federal tax credits, and is therefore not subject to those restrictions.