

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE

reports as follows:

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the 2010 Calendar Year Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA) and related actions.

Recommendations for Council action:

1. APPROVE the recommendations contained within the accompanying City Administrative Officer (CAO) report dated January 6, 2010.
2. INSTRUCT the Los Angeles Housing Department (LAHD) to:
 - a. Report back within 30 days on methods to encourage inclusion of income-restricted units as part of mixed-income projects with market-rate units, including certain public benefit characteristics which may differ from those presented by 100% affordable projects such as:
 - i. Mixed income: new affordable units in a mixed-income project.
 - ii. Leveraging with private financing rather than with 100% public funding should be specifically allowed and encouraged to preserve scarce state and local funds.
 - iii. The length of affordability covenants should be consistent with property characteristics.
 - iv. Renovation rather than demolition of historic properties should be encouraged.
 - b. Advise, in its [LAHD] report back evaluating submittals under the current NOFA, where the mixed-income public benefit criteria would, if adopted, change the ranking of projects submitted for awards under the NOFA.
 - c. Recommend, in connection with the preparation of criteria for the Spring 2010 NOFA, potential mixed-income public benefit criteria for inclusion in that process.
 - d. Report back relative to establishing a recruitment radius for housing constructed with AHTF monies, specifically to provide residents of the communities that the new housing is being built in with the first opportunity to access it.
 - e. Report back relative to the status of the 5-Year Housing Plan and how it compares with the policies and recommendations of the 2010 AHTF NOFA.
 - f. Report back relative to the balance of the AHTF 5% Community Redevelopment Agency (CRA) Tax Increment set-aside identifying, by Council District, where the money originates and where the money is spent (cumulative as well as annually).
 - g. Report back relative to whether AHTF 5% CRA Tax Increment funds can be used for homeownership preservation and/or foreclosure prevention.

3. INSTRUCT the Housing Authority of the City of Los Angeles (HACLA) and the LAHD to report back to the Housing, Community, and Economic Development Committee when the AHTF results are considered on the status of the HACLA application process for project based vouchers.

Fiscal Impact Statement: The CAO reports that there is no impact to the General Fund. Approval of the CAO recommendations authorize the release of the 2010 AHTF NOFA Round One in the amount of \$32.81 million based on the availability of previously approved HOME Investment Partnerships Program (\$19.48 million), Department of Water and Power (DWP) funds (\$1.28 million), McKinney Bond proceeds (\$0.70 million) and CRA funds (\$11.35 million) designated to the AHTF to the extent that proposer projects qualify for these funds and have obtained acknowledgement and support from the CRA. The LAHD must report back to the Mayor and Council with recommendations for final award based on the results of the 2010 AHTF NOFA. These recommendations comply with City Financial Policies because dedicated funding sources will fully fund any resulting commitments to projects selected under the NOFA.

Community Impact Statement: None submitted.

Summary:

In its transmittal dated January 6, 2010, the CAO reports that the LAHD requests approval of various actions including approval of the draft 2010 AHTF NOFA which was issued to fund the rehabilitation, construction, and preservation of multi-family rental housing for low and very-low income households throughout the City. The LAHD anticipates releasing up to three funding rounds for 2010 and awarding up to \$32.81 million in Round One.

On December 16, 2009, Council authorized the LAHD to accept AHTF NOFA applications based on the draft NOFA attached to the LAHD transmittal dated November 17, 2009 with a submission deadline of December 21, 2009 (Council file No. 09-2841-S2). The LAHD was authorized to accept supplemental information from proposers after the deadline in the event that the Mayor and Council's action on this matter differs from the draft. Applications were accepted from non-profit and for-profit developers, joint ventures, limited liability companies and limited partnerships. The LAHD will continue to review applications and prepare recommendations for Council and Mayoral approval.

The CAO further reports that the LAHD also requests approval of proposed changes to the AHTF and Permanent Supportive Housing Program guidelines. The policy changes are based on input received from the City Collaborative, a partnership of the LAHD, CRA, DWP and HACLA as well as other stakeholders in the affordable housing community. These changes are intended to increase the success of individual projects in securing leveraging funds.

The CAO notes that the LAHD also requests authority to implement the following changes to prior AHTF authorities: a) amendments to agreements for the Hollywood Bungalow Courts and Maya Townhomes Projects to reflect an augmentation of funds issued through the LAHD/DWP Sustainable Design and Economic Development Guidelines Programs; b) reprogramming of \$4.0 million in HOME funds awarded to the Lincoln Place Project for purposes of augmenting the Round One NOFA funding; and, c) amendment to the Women's Village Project agreement to merge two of three loans issued to the project.

The CAO recommends approval of the requests proposed by the LAHD. It also recommends that the LAHD provide a status report on the City's New Generation Fund as part of the report back on the AHTF NOFA results. These recommendations comply with City Financial Policies because dedicated funding sources will fully fund any resulting commitments to projects selected under the NOFA. Future NOFA rounds will be funded with HOME funds allocated through the 2010-11 Federal Housing and Community Development Consolidated Plan (36th Program Year Con Plan).

At its regular meeting held January 13, 2010, the Housing, Community, and Economic Development Committee discussed this matter with City staff and recommended that Council approve the recommendations of the CAO, as submitted in its report dated January 6, 2010. The Committee further recommended that Council approve Recommendations Nos. 2 and 3 above.

Respectfully submitted,

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
WESSON	YES
REYES	YES
ALARCÓN	YES
CÁRDENAS	ABSENT
PERRY	YES

- Not Official Until Council Acts-

Attachment

AMA
09-2841_rpt_hced_01-15-10

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 6, 2010

CAO File No. 0220-00540-0893
Council File No. 09-2841
Council District: All

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Los Angeles Housing Department Transmittal dated November 17, 2009; Received by the City Administrative Officer on November 24, 2009; Additional information received through January 4, 2010

Subject: **REQUEST FOR APPROVAL OF THE 2010 AFFORDABLE HOUSING TRUST FUND NOTICE OF FUNDING AVAILABILITY AND OTHER RELATED ACTIONS**

SUMMARY

The Los Angeles Housing Department (LAHD) requests approval of various actions including approval of the draft 2010 Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA) which was issued to fund the rehabilitation, construction and preservation of multi-family rental housing for low and very-low income households throughout the City. The LAHD anticipates releasing up to three funding rounds for 2010 and awarding up to \$32.81 million in Round One. Funding for Round One is provided from previously approved HOME Investment Partnership Act (HOME) funds (\$19.48 million), Department of Water and Power (DWP) funds (\$1.28 million), McKinney Bond proceeds (\$0.70 million) and Community Redevelopment Agency (CRA) funds allocated to the AHTF Fund (\$11.35 million). The CRA funds are available to projects to the extent that they qualify for the funds and that the proposers have obtained acknowledgement and support from the CRA. Approval of the report recommendations will result in no additional impact on the General Fund.

On December 16, 2009, the Council authorized LAHD to accept AHTF NOFA applications based on the draft NOFA attached to the LAHD transmittal dated November 17, 2009 (Transmittal) with a submission deadline of December 21, 2009 (C.F. 09-2841-S2). The LAHD was authorized to accept supplemental information from proposers after the deadline in the event that the Mayor and Council's action on this matter differs from the draft. Applications were accepted from non-profit and for-profit developers, joint ventures, limited liability companies and limited partnerships. LAHD will continue to review applications and prepare recommendations for Council and Mayor approval.

The LAHD also requests approval of proposed changes to the AHTF and Permanent Supportive Housing Program (PSHP) guidelines. The policy changes are based on input received from the City Collaborative (Collaborative), a partnership of the LAHD, CRA, DWP and the Housing Authority of the City of Los Angeles (HACLA) and other stakeholders in the affordable housing community. These changes are intended to increase the success of individual projects in securing leveraging funds. A summary of the proposed changes, along with a brief statement of anticipated benefits, is provided in the Attachment of this report.

HOUSING, COMMUNITY &
ECONOMIC DEVELOPMENT

JAN 07 2010

Last, LAHD also requests authority to implement changes to prior AHTF authorities as follows: a) amendments to the agreements for the Hollywood Bungalow Courts and Maya Townhomes Projects to reflect an augmentation of funds issued through the LAHD/DWP Sustainable Design and Economic Development Guidelines Programs; b) reprogramming of \$4.0 million in HOME funds awarded to the Lincoln Place Project for purposes of augmenting the Round One NOFA funding; and, c) amendment to the Women's Village Project agreement to merge two of three loans issued to the project. This Office recommends approval of the requests as proposed by LAHD. In addition, we recommend that LAHD provide a status report on the City's New Generation Fund as part of the report back on the AHTF NOFA results. Additional information concerning these requests is provided in the Findings Section of this report.

These recommendations comply with City Financial Policies because dedicated funding sources will fully fund any resulting commitments to projects selected under the NOFA. Future NOFA rounds will be funded with HOME funds allocated through the 2010-11 Federal Housing and Community Development Consolidated Plan (36th Program Year [PY] Con Plan).

Background

The AHTF NOFA funds are to be used to fill the financing gap between the projected Total Development Cost (TDC) of a project and other available funding sources. Funds are available for acquisition and pre-development expenses (such as financial feasibility analyses, market studies, hazardous materials studies and permits and fees) and for construction and permanent financing expenses (such as demolition, off-site public improvements and construction bonds). Activities that may not be used for AHTF funding include refinancing of existing debt, reapplying for the same project using another leveraging source while an existing AHTF commitment is pending and payment of delinquent taxes.

As of December 22, 2009, a total of \$387.3 million has been committed to 122 developments with 7,077 affordable housing units since the first AHTF NOFA was issued in 2003. Of these developments, 77 have been completed, 24 are under construction and 21 developments are in the pre-development phase. The AHTF Program has leveraged \$1.56 billion from public and private sources. This represents a total development cost of \$1.95 billion. Every one AHTF dollar leverages four private/public investment dollars.

The PSHP NOFA, which supports the development of permanent supportive housing for homeless and chronically homeless single adults and their families, homeless transition-aged youth and emancipated foster youth (target clientele), will be issued separately at a later date early this year. Funding is anticipated to be derived from the forthcoming 2010-11 Consolidated Plan. The LAHD will report on the PSHP under a separate cover.

RECOMMENDATIONS

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

1. Approve the 2010 Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA), attached to the LAHD transmittal dated November 17, 2009, including the proposed guideline changes as summarized in the Attachment to this report;
2. Authorize the General Manager, Los Angeles Housing Department (LAHD), or designee, to:

- A. Implement an allocation schedule for the AHTF in 2010 to include up to three funding rounds to coincide with applicable funding cycles for federal and state multifamily housing development programs;
- B. Evaluate AHTF applications in the first funding round of 2010 based on the availability of the fund sources identified below and return for Council and Mayor approval of funding recommendations;

Fund Source	Account Suffix No.	Amount
HOME Investment Partnership Program	561/212	\$19,481,663.00
McKinney Bond	44G/213	701,600.00
Community Redevelopment Agency	44G/214	11,345,181.00
Department of Water and Power	44G/215	1,285,000.00
Total		\$32,813,444.00

- C. Solicit AHTF applications for subsequent rounds based on availability of funds allocated for this purpose pursuant to the approval of the 2010-11 Consolidated Plan and the 2010-10 City Budget process and return for Council and Mayor approval of funding recommendations;
- D. Amend the AHTF NOFA as necessary to be consistent with income or geographic targeting requirements of any applicable leveraged funding sources, which may be revised or become available during the 2010 calendar year;
- E. Include as part of the report back on the AHTF NOFA results a Fund Management report for the New Generation Fund in conformance with the Council and Mayor approved report requirements identified in Council File Number 08-0958; and,
- F. Prepare the necessary loan documents to merge two loans issued for the construction of the Women's Village Project under Contract Number C-92258 (Phase One Loan: \$1,050,000 and Phase Three Loan: \$394,000) into a new permanent loan in the amount of \$1,444,000 with the Catholic Charities, subject to the review and approval of the City Attorney as to form and legality. The loan will be for a 40-year term with a five percent interest rate, to be secured by a Deed of Trust on Phase One and the existing collateral of Phase Three parcels will be released.

3. Authorize the Controller to:

- A. Transfer appropriations within Fund No. 561, HOME Investment Partnership Program Fund (HOME), Department 43, as follows:

	Account No.	Account Name	Amount
From:	N211	Housing Development – Acq/Rehab	\$2,485.00
To:	F212	Affordable Housing Trust Fund	\$2,485.00

- B. Amend previously approved loan agreements for the following projects as needed to commit funds approved by the Los Angeles Department of Water and Power (DWP) under the Sustainable Design and Economic Development guidelines for the amounts noted:

Project Name	Borrower	Contract No.	Amount
Hollywood Bungalow Courts	Hollywood Bungalow Courts, L.P.	C-114816	\$200,000
Maya Townhomes	Maya Town Homes, L.P.	C-115404	200,000
		Totals	\$400,000

- C. Establish a new account within Fund 44G/43, Affordable Housing Trust Fund (AHTF), as follows:

Account No.	Account Name
44G/F215	DWP

- D. Transfer funds within Fund 44G, AHTF, as follows:

	Account No.	Account Name	Amount
From:	T215	DWP	\$1,000,000
To:	F215	DWP	\$1,000,000

- E. Allocate and expend funds from Fund 44G, AHTF, from the following accounts for the following LADWP approved project, upon proper written demand from the General Manager, LAHD, or designee:

Project Name	Account No.	Account Name	Amount
Hollywood Bungalow	E215	DWP	\$200,000.00
Maya Townhomes	E215	DWP	85,000.00
	F215	DWP	115,000.00
		Total	\$400,000.00

- F. Authorize the General Manager, LAHD, or designee, to de-obligate \$4.0 million in HOME funds allocated to the Lincoln Place Project pursuant to Council File Number 09-0372; and,

4. Authorize the General Manager, LAHD, or designee, to prepare Controller instructions and any necessary technical adjustment(s), consistent with Mayor and Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Approval of these recommendations authorize the release of the 2010 Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA) Round One in the amount of \$32.81 million based on the availability of previously approved HOME Investment Partnerships Program (\$19.48 million), Department of Water and Power funds (\$1.28 million), McKinney Bond proceeds (\$0.70 million) and Community Redevelopment Agency (CRA) funds (\$11.35 million) designated to the AHTF to the extent that proposer projects qualify for these funds and have obtained acknowledgement and support from the CRA. The Los Angeles Housing Department must report back to the Mayor and Council with recommendations for final award based on the results of the 2010 AHTF NOFA. These recommendations comply with City Financial Policies because dedicated funding sources will fully fund any resulting commitments to projects selected under the NOFA.

FINDINGS

1. Basis for Report

In a transmittal dated November 17, 2009, the Los Angeles Housing Department (LAHD) requests Council and Mayor authority to issue the 2010 Affordable Housing Trust Fund (AHTF) Notices of Funding Availability (NOFA) and other related actions (C.F. 09-2841). Our Office was instructed to report on this matter.

2. AHTF NOFA Highlights

The 2010 AHTF NOFA is open to projects that are able to move quickly from predevelopment into construction and completion and will apply to:

- California Tax Credit Allocation Committee (TCAC) for an award of Nine Percent Low Income Housing Tax Credits (Nine Percent tax credits), or;
- U.S. Department of Housing and Urban Development (HUD) Section 202/811 Programs (affordable housing for elderly and disabled), or;
- Public or private sources combined with Four Percent Tax Credits (Four Percent tax credits) and tax-exempt bonds.

Part One of the draft 2010 AHTF NOFA details the program regulations. The maximum Letter of Commitment (LOC) award amount to any one project is \$14 million. The maximum term of any AHTF letter of commitment (award) is two funding rounds for the identified leveraging funding source (except for Section 202 or 811, which is 18 months). AHTF commitments will be withdrawn if proposers are unsuccessful in obtaining funding from their primary leveraging source. All units funded through the AHTF NOFA must be affordable to households at or below 60 percent of the area median income (AMI) levels. Rents for the affordable units must be set at least 10 percent below market rents in that neighborhood. Also, housing units must comply with the affordability requirements of the proposer's identified leveraging source. The LAHD will not issue an LOC until a National Environmental Policy Act environmental review has been completed and the City receives a Release of Funds document from HUD. Projects that receive an award through this NOFA and require the issuance of bonds must use LAHD as the issuer of those bonds.

There are two incentive programs available to proposers under the 2010 AHTF NOFA. The LAHD/Department of Water's and Power (DWP) Sustainable Building Incentive Program provides incentives to projects that provide energy efficient building products. The maximum funding allowed for each project is \$200,000. Also, the LAHD Lead-Based Paint Hazard Remediation Program provides additional funds (\$4,500 per unit, or up to \$225,000 per project) to finance the remediation of lead-based paint hazards.

3. Threshold Requirements and Selection Criteria

A bidder's conference was held on November 30, 2009. All responses to technical assistance questions received from prospective proposers were posted on the LAHD website. The deadline for submissions was December 21, 2009.

Projects which do not satisfy the AHTF NOFA threshold requirements will not be evaluated. Projects are evaluated and scored according to the criteria established by the respective leveraging funding source that has been selected by the proposer. LAHD will also factor eligibility of projects against available City NOFA fund sources. In addition, the factors summarized below and detailed in the draft AHTF NOFA (Part Two – Threshold Requirements and Part Three – Selection Criteria) will be utilized during the final ranking and selection process:

- Project Feasibility - Consists of an assessment of cost, LAHD subsidy, and long-term viability;
- Architectural Design and Review - Consists of a review of the project's conceptual design, design and energy efficiency features, neighborhood compatibility and site amenities; and,
- Negative Points - Up to ten points may be deducted if the project partners previously participated in a failed project due to noncompliance of NOFA requirements.

The following projects are eligible to receive a five percent subsidy boost:

- Projects that are located in Balance Communities (proposed);
- Projects with New Generation Fund (NGF) acquisition loans (proposed);
- Projects located in Transit-Oriented Districts (TODs); and,
- Projected located in South Los Angeles.

Following an appeals process, final scores and funding recommendations will be transmitted to the Mayor's Office by mid-February 2010. The target date for issuance of LOCs is mid-March 2010.

4. Policy Recommendations

The LAHD recommends 10 changes that are intended to align the City AHTF and the Permanent Supportive Housing Program (PSHP) regulations with the industry standards and to adjust to the current state of the financing and housing markets. Summary information on each of the changes, along with identified anticipated benefits, is provided in the Attachment of this report. The Attachment also includes updates reflective of information submitted by LAHD subsequent to the release of the Transmittal. One of the additional proposed changes involves including the Proposition 1 (C) (Prop 1C) Infill Infrastructure Grants as one of the leveraging sources that would need to be accompanied by a guarantee letter in order to be considered for AHTF. Also, given that the Housing Authority of the City of Los Angeles (HACLA) has not yet released the Project Based Voucher NOFA, the deadline for submission of a HACLA commitment letter to LAHD has been extended from January 29, 2010 to February 17, 2010.

In an effort to provide additional context concerning the use of the New Generation Fund (NGF) for acquisition purposes and for preservation of at-risk properties, it is recommended that LAHD include a NGF Program Fund Management status report along with the report on the AHTF Round One results.

5. Amendments to Existing Authorities

The LAHD requests authority to implement changes to prior authorities granted to existing projects.

- A. Contract Amendments. The LAHD requests approval to amend two previously approved project agreements to reflect the receipt of additional funding issued through the LAHD/DWP Sustainable Design and Economic Development Guidelines (SDED) Program. The SDED Program provides incentives to projects that provide energy efficient building products. The maximum funding allowed for each project is \$200,000.

Project Name	SBI Program
Hollywood Bungalow Courts	\$200,000
Maya Townhomes	200,000
Total	\$400,000

- B. Lincoln Place Project. The Department recommends the reprogramming of \$4.0 million in HOME funds for the purpose of augmenting the available funding for the Round One NOFA. These funds were allocated to the Lincoln Place Project in 2009 as a stand-alone award outside of the NOFA process (C.F. 09-0372). According to LAHD, HUD Regulations (24 CFR 85.36[c][1]) require that HOME funds be awarded through competitive selection processes. The project sponsors of the Lincoln Place Project may compete through this or future NOFA funding rounds. This amount is reflected in the reported available HOME funding balance.
- C. Women's Village Project. Authority is requested to merge two of three loans issued to this project. In 1995, LAHD executed a \$1.6 million acquisition and predevelopment loan with Catholic Charities for the construction of Women's Village, a three-phase development of 61 affordable housing units for women and children. The loan term was for 24 months at five percent interest (C.F. 95-0596). As proposed, a new permanent promissory note of \$1.44 million, at five percent interest for a 40-year term would be secured by a deed of trust on the Phase One parcel. The purpose of merging the loans is to "clean up" and streamline the reconciliation of finances for the project. The Transmittal incorrectly stated that the merged loans would be from Phases One and Two, but the correct loans are for Phases One and Three.


In October 1998, the Council and Mayor authorized LAHD to release the Phase Two and Phase Three parcels from the existing collateral of the Phase One loan encompassing the total site and to reallocate the acquisition and predevelopment loan funds as follows: a) Phase One: \$1.05 million; b) Phase Two: \$0.156 million; and, c) Phase Three: \$0.394 million (C.F. 95-0596-S1). The LAHD was also authorized to negotiate and execute a 24-month subordination agreement for the Phase One parcel with Catholic Charities and Century Housing Corporation for \$1.2 million. In addition, LAHD was authorized to negotiate and execute a construction and permanent loan agreement with Homeless No More, Inc. for \$0.456 million. This loan included \$0.156 million of the reallocated loan and \$0.300 million in additional construction. The LAHD then subordinated the Phase Two City loan to a HUD Section 811 Capital Advance (Section 811) award in the amount of \$1.261 million.

The construction of Phase Two was eventually completed and the loan was converted to permanent status in April 1999. Phase Three was completed in 2008 on a site that included a parcel of donated land in addition to those parcels acquired with the \$0.394 million (Phase Three) funds. Phase Three also received funding from the California Department of Housing and Community Development (HCD). Phase One used funds from Section 811. Both the

Section 811 loan on Phases One and the HCD loan on Phase Three loans are senior to the City loans and have different regulations regarding the distribution of residual receipts. The routine tracking and reconciliation of the loan repayments is administratively burdensome for the Department to monitor among all other active loans with in its portfolio. The recommendation to merge two of the loans is expected to mitigate this issue. The new loan will be secured by a Deed of Trust on Phase One and the existing collateral of Phase Three parcels will be released. The Phase One collateral of 37 units provides sufficient guarantee.

- D. MacArthur Park Metro Phases A and B (Phases A and B). The LAHD reported that these two new construction projects received State TOD awards in 2008 but experienced financial difficulties in closing their construction loans due to the uncertain state of the financing market. These two projects also received funding commitments through the 2008 AHTF Round One NOFA. On December 16, 2009, the Council authorized LAHD to execute a bridge loan for Phase A to be derived from the AHTF funds awarded to Phase B in order to begin construction (C.F. 08-1847-S4). Through this action, the original Phase A award of \$9.97 million was increased by \$8.57 million, augmenting the total award amount to \$18.54 million. The \$8.57 million bridge loan funds will be returned to Phase B once the TOD funds are issued to Phase A. While LAHD reported that revised amount is within the allowable per-unit HOME program subsidy limit, the total award to Phase A would exceed the \$14 million maximum loan amount established in the City's AHTF guidelines if the State is unable to issue the TOD award for repayment of the construction loan upon completion.

At this time, no action is required on this item. The information was provided for purposes of acknowledging that the total funding allocated to Phase A could exceed the AHTF per project award limit of \$14 million. LAHD will report to the Mayor and Council on the outcome of the Phase A bridge loan in the event that the State is unable to provide its funds. Such a report back will be made as part of a future AHTF transmittal.


Angelica H. Samayoa
Senior Administrative Analyst II

MAS:AHS:02100092c

Attachment

**Summary of Proposed Changes to the 2010 Affordable Housing Trust Fund (AHTF)
Notice of Funding Availability (NOFA)
Los Angeles Housing Department**

	Recommended Changes	Anticipated Benefits
1	<p>Rating and Ranking of Projects – Recommendation is to base AHTF subsidy awards on the estimated amount necessary to achieve a winning score and tie breaker in an effort to improve a project's ability to successfully compete in the next funding round of the identified leveraging source. Then, projects will be ranked based on the lowest ratio of calculated gap financing relative to the maximum eligible loan amount (including all eligible subsidy boosts). This will align the City with the scoring system of the California Tax Credit Allocation Committee (TCAC), which places a value on the percentage of non-tax credit funding, such as the City's AHTF subsidy, in relation to the total development cost. The TCAC scoring system awards one point for each one percent of public funding awarded to a project, up to a maximum of 20 points. Therefore, the greater the AHTF subsidy support, the higher the TCAC ranking.</p>	<p>To maximize the success of applications when competing in the next funding round of the identified leveraging source. Also, to ensure that proposers do not over-subscribe to the AHTF NOFA by requesting fewer TCAC tax credits and more AHTF subsidy in an effort to increase chances of receiving financing from other leveraging sources.</p>
2	<p>Funding Priorities - Preservation of At-Risk Projects: Recommendation is to cease preferential scoring of "at-risk projects" in the Round One NOFA pending additional analysis by the Department based on the recommendations of a Consultant, the California Housing Partnership Corporation. This includes projects that are in jeopardy of losing their affordability (converting to market rate) due to expiring affordability covenants or operating subsidies are considered "at-risk projects." The Consultant recommended that LAHD include as a new ranking priority a project's readiness to renew a long term HUD rent subsidy contract through the Mark-up to Market (MU2M) Program. The MU2M Program allows for an increase, or "mark-up," in rents to accommodate the costs of acquisition and rehabilitation. The actual project funding gap is then calculated based on the marked-up rent. Readiness is confirmed with a letter from HUD. Currently no projects have reached this stage of readiness.</p>	<p>The AHTF subsidy would remain available to finance other projects not tied to the MU2M Program. The AHTF subsidy awards for the at-risk projects participating in the MU2M Program would be issued once the true financing gap for the project is known. As an alternative funding mechanism, LAHD recommends the use of the City's revolving acquisition fund, the New Generation Fund (NGF), as a mechanism to fund preservation projects that feature MU2M contracts until the mark-ups are approved. The NGF would provide short-term bridge loans to these preservation projects.</p>
3	<p>Funding Priorities - Proposition 1 (C) (Prop 1C) Transient Oriented Development (TOD) and Multi-Family Housing Program (MHP) Projects: Recommendation is to suspend funding in Round One to projects with Prop 1C funding as the primary leveraging source. However, since TOD can be combined with Nine Percent tax credits as a primary leveraging source (MHP cannot). Projects with such commitments must provide evidence of an alternative permanent guarantee source to LAHD by January 29, 2010.</p> <p>Funding Priorities - Prop 1C Infill Infrastructure Grants.* Recommendation is that funding to this Prop 1C program also be suspended if it is identified as a primary funding source for the same reasons stated above.</p>	<p>Directs AHTF subsidies to projects that are immediately able to secure financing and are most likely be completed on schedule. Due to the State's uncertain bonding capacity and lack of confidence among lending institutions of the TOD, MHP and Infill Infrastructure Grants as permanent funding sources, it is currently difficult to secure conventional financing unless an alternative guarantee source is identified. Projects are then unable to proceed beyond pre-development.</p>
4	<p>Funding Priorities – U.S. Department of Housing and Urban Development (HUD) Section 202/811 Programs (affordable housing for elderly and disabled). Recommendation is to eliminate priority funding to these types of programs. In the past, these projects required less AHTF subsidies in comparison to tax credit projects. Per LAHD, HUD's capital advances through these programs have decreased and AHTF subsidy demands are as high as projects with tax credit projects.</p>	<p>Impact is unknown but is not anticipated to be significant given that the last two LAHD-funded Section 202 projects secured HUD support prior to applying to the AHTF. Also, the current HUD programs are highly competitive with limited amounts of subsidy available to the region.</p>
5	<p>Subsidy Boosts – Allow Combination of Boosts. Recommendation is to allow for combining of AHTF subsidy boosts when projects meet specific City housing goals. Previously, the total subsidy boost allowed per proposal was five percent. However, subsidy boosts, such as for locating a project in South Los Angeles or in a Transit Oriented District, could not be combined.</p>	<p>Rewards projects that meet more than one identified City housing goal by allowing for combined subsidy boosts.</p>
6	<p>Subsidy Boosts – Balanced (Mixed Income) Communities. Recommendation is to assign a five percent boost for projects that promote "balanced communities" as defined by TCAC in their point scoring system. Such projects qualify if the proposed development is located within a census tract where the average income is at or above</p>	<p>Encourages the creation of affordable rental housing throughout the City in a de-concentrated manner. This would provide additional subsidy to projects that are not located in Community Redevelopment Agency areas.</p>

	Recommended Changes	Anticipated Benefits
	100 percent of the AMI or if located within a ½ mile radius where the average home sales prices are above 100 percent of the AMI sales price in L.A. County.	
7	Subsidy Boosts – NGF/ Supportive Housing Loan Fund. A new subsidy boost is recommended for projects that receive NGF or Supportive Housing Loan Fund (SHLF) awards.	To increase the chances of success for projects acquired with LAHD-guaranteed acquisition financing. Through these programs, the borrower and related parties undergo a background check and the project is reviewed for financial feasibility by the Department.
8	Housing Authority of the City of Los Angeles (HACLA) Project-Based Voucher (PBV) Application Process. Recommendation is to require that projects submitting an AHTF application that includes HACLA PBVs to provide evidence of HACLA's commitment by February 17, 2010 * – after the AHTF proposal deadline of December 21, 2009. HACLA is currently developing a separate PBV application process independent of the City's NOFA process. However, the AHTF NOFA requires that leveraging sources be in place at the time of application submittal and it was not anticipated that HACLA's process would be in place in time for the AHTF NOFA application deadline.	Proposers will not be negatively impacted because they did not include the HACLA PBVs commitment letter as part of their AHTF application submissions. To date, the HACLA NOFA has not yet been released.
9	Smoke-Free Incentive Program. Recommendation is to eliminate this program, which provides an incentive of \$300 per unit to projects that will provide smoke-free common areas.	To eliminate duplication of effort, because the State TCAC now assigns bonus points to projects with designated smoke-free units. The LAHD reports that, due to the highly competitive nature of TCAC, it is a popular choice among developers.

* These recommendations were submitted by LAHD subsequent to the release of the Department's transmittal dated November 17, 2009. The HACLA commitment letter deadline was amended from January 29, 2010 to February 17, 2010.

Proposed Change to the 2009 Permanent Supportive Housing Program (PSHP) Project Commitments

	Recommended Changes	Anticipated Benefits
10	Term of the PSHP award commitment. Recommendation is to extend the 2009 PSHP award commitments for one additional round. The 2009 award commitments were meant to be valid for only one year. Prior to 2009, PSHP commitments were valid for two funding rounds. However, since TCAC held only one funding round in 2009, the AHTF and PSHP commitments were valid only through the end of the year. At the time, projects were underwritten assuming the availability of TCAC's one-time American Recovery and Reinvestment Act (ARRA) funds to fill financing gaps created by the weak demand for tax credits. Without this support unsuccessful projects would need to apply for and compete for additional AHTF subsidy capital. Although Special Needs projects were hardest hit by market shifts, they were able to exchange their entire credit allocations for ARRA funds.	Until additional funding is approved through the adoption of the 2010-11 Consolidated Plan in April 2010, there will be no PSHP NOFA to coincide with TCAC's 2010 Round One. If ARRA funds are renewed for 2010, unsuccessful 2009 PSHP projects could compete for them under the Nonprofit Homeless set-aside category; otherwise, the City will miss this opportunity.