



MAJOR PROJECTS DIVISION
Los Angeles Housing Department
LAHD

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Antonio R. Villaraigosa, Mayor
 Douglas Guthrie, General Manager

November 10, 2011

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Honorable Antonio R. Villaraigosa
 Mayor, City of Los Angeles
 Room 303, City Hall
 200 North Spring Street
 Los Angeles, CA 90012
 Attention: Pamela Finley, Legislative Coordinator

Honorable Members of the City Council
 City of Los Angeles
 c/o City Clerk, City Hall
 200 North Spring Street
 Los Angeles, CA 90012
 Attention: Richard Williams, Legislative Asst.

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT (LAHD) RECOMMENDATIONS FOR THE 2012 CALENDAR YEAR AFFORDABLE HOUSING TRUST FUND (AHTF) NOTICE OF FUNDING AVAILABILITY (NOFA), AND VARIOUS ACTIONS RELATED TO THE AHTF

SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to issue the 2012 Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA) with the revisions proposed herein, and authority to hold up to three funding rounds for the 2012 NOFA year. The filing deadline for applications under Round 1 of the 2012 AHTF NOFA is scheduled for January 12, 2012. The 2012 AHTF NOFA is provided as Attachment I in DRAFT form.

Based upon this authority, LAHD will solicit developers' applications for gap funding from the AHTF for multifamily affordable housing developments. LAHD will review the applications submitted for each AHTF funding round and prepare a list of projects recommended to receive Letters of Commitment for funding. All funding recommendations will be submitted to the Mayor and City Council for consideration and approval.

AHTF funding commitments are subject to the condition that project sponsors apply to one of the following programs in the next available funding round of the applicant's chosen leveraging source:

- The California Tax Credit Allocation Committee (TCAC): 9% Low Income Housing Tax Credits (LIHTC), including projects competing in the nonprofit homeless set-aside;
- TCAC 4% LIHTC, combined with tax-exempt bonds;

- The California Multi-Family Housing Program (MHP): General, Supportive Housing, and Homeless Youth programs, and;
- Other committed private or public sources.

LAHD also requests authority to transfer appropriations between two LAHD-DWP accounts and decrease appropriations within Account 43G218 (Housing Development-Other Sources).

RECOMMENDATIONS

The General Manager, Los Angeles Housing Department (LAHD), respectfully recommends:

1. That your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter, in order for the 2012 NOFA to be approved in time to receive applications in early January and AHTF funding commitments to be awarded prior to the California Tax Credit Allocation Committee’s application deadline in mid-March;
2. That the City Council, subject to the approval of the Mayor, take the following actions:
 - A. Instruct the LAHD General Manager or designee to issue the attached 2012 AHTF NOFA, and implement an allocation schedule that will include the authority to conduct up to three funding rounds. All AHTF NOFA funding rounds will coincide with applicable funding cycles for federal, state, and/or local multifamily housing development programs.
 - B. Authorize the LAHD General Manager or designee to solicit AHTF applications for the first funding round of 2012 in an amount not to exceed \$21.2 million from the following sources:

<u>Funding Source:</u>	<u>Account No.:</u>	<u>Amount:</u>
561 HOME	43H212	\$21,237,737.00

- C. Authorize the solicitation of AHTF applications for subsequent funding rounds based on approval of funds requested in the FY 2012-13 Consolidated Plan and City Budget. Applications received in those funding rounds will be reviewed by LAHD and recommendations will be submitted to the Mayor and City Council for consideration and approval.
- D. Authorize the LAHD General Manager or designee to 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 2012 calendar year.
- E. Authorize the City Controller to:

1. Transfer appropriations within the Affordable Housing Trust Fund No. 44G/43 as follows:

From:	<u>Acct.</u>	<u>Account Name</u>	<u>Amount</u>
	43T215	DWP Hsg. Dev.	\$1,080,001.57

To:

<u>Acct.</u>	<u>Account Name</u>	<u>Amount</u>
43H215	LADWP	\$1,080,001.57

2. Expend funds from the above fund and accounts on an as-needed basis in an amount not to exceed \$1,080,001.57, upon proper written demand of the LAHD General Manager or designee;
3. Decrease appropriations within the Affordable Housing Trust Fund 44G/43 as follows:

<u>Acct.</u>	<u>Account Name</u>	<u>Amount</u>
43G218	Hsg. Development- Other Source	\$1,000,000.00

3. Authorize the LAHD General Manager 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.

BACKGROUND

AFFORDABLE HOUSING TRUST FUND

The Affordable Housing Trust Fund was established by the Mayor and City Council in June 2000. Since the AHTF issued its first major NOFA in early 2003, a net total of approximately \$578 million has been committed to 167 developments consisting of 10,052 units, with a total development cost of \$3.1 billion. Of these, 110 projects with 6,552 units have been completed, 36 projects consisting of 2,084 units are under construction, and 21 projects consisting of 1,416 units are currently in the predevelopment phase.

One of the most important features of the AHTF is the ability to attract the investment dollars of other public and private entities for the development of affordable housing within the City of Los Angeles. To date, AHTF and PSHP projects have leveraged a total of \$2.5 billion in public and private funds, which represents a leverage ratio of approximately \$4.37 for every dollar invested by the AHTF and PSHP. Attachment 2 provides cumulative totals for each program, the number of units, and the overall leverage ratio for both programs.

FUNDING FOR THE 2012 AHTF NOFA

For Round 1 of the 2012 AHTF NOFA, funds in the amount of \$21.2 million are available from the sources outlined in item 2B under the Recommendations Section on page 2 of this report.

Funding Categories are as follows:

- \$10 million for Permanent Supportive Housing projects serving homeless individuals and families

- \$8.2 million for Affordable Housing projects
- \$3 million for Preservation/At-Risk projects

PROPOSED CHANGES TO 2012 AHTF NOFA

The LAHD proposes to make various changes to the 2012 AHTF NOFA in order to improve contractor accountability and in an effort to implement the priorities of the Mayor and City Council regarding improving the supply of housing for homeless persons. Proposed revisions to the 2012 AHTF NOFA were presented at a panel discussion at the Southern California Association for Non-Profit Housing (SCANPH) Conference on October 14, 2011 and at the LAHD Stakeholders' meeting on October 17, 2011. In addition, the proposed changes were released publicly on October 18, 2011 via the LAHD website.

Changes to the 2012 AHTF NOFA include: 1) the sun-setting of the LAHD/LADWP Sustainable Building Incentive Program due to depletion of funds; 2) various policy changes to improve contractor accountability; 3) revised language in the NOFA and LAHD loan documents that would allow for an increase in the allowance for coordination of supportive services; 4) the implementation of an online application; and, 5) the implementation of a collaborative NOFA process for permanent supportive housing projects, which will offer capital, operating subsidy, and supportive services funding via one funding application.

SUMMARY OF PROPOSED CHANGES

Contractor Accountability

Guaranteed Maximum (GMAX) contracts

General Contractors will be required to use a Guaranteed Maximum (GMAX) price contract with a cap of 14% on profit, overhead, and general conditions. The cap of 14% on profit, overhead and general conditions is already a requirement of the State and the City, but lacks enforceable documents. Exact language and format will be developed by the City Attorney with proactive collaboration from LAHD.

Construction Contract Audit

This policy change will require an audit of the construction contract be incorporated into the already-required Cost Certification process at project conclusion. LAHD will require the third party accountant's opinion include a calculation of profit, overhead, and general conditions as a percentage of the total contract amount.

Enforcement Language

Language will be added to the City loan documents to enforce the 14% cap on profit, overhead and general conditions that includes penalties, fees, and possible debarment of the borrower, contractor and/or their principals. Exact language and format will be developed by the City Attorney with proactive collaboration from LAHD.

LCP Tracker

Contractors will be required to report to LAHD's Prevailing Wage Compliance Unit using the LCP Tracker labor compliance software, used by many public agencies to capture, monitor, and report prevailing wage compliance in projects financed with public funds. The system significantly reduces

paperwork, eliminates subjectivity on completeness and timing of submission, and minimizes processing and approval time. An amount equal to .03% of the construction contract will be paid in monthly installments by the contractors to support the system.

Supportive Services Coordination

LAHD has been in discussions with the United Way of Greater Los Angeles, Corporation for Supportive Housing and Enterprise Community partners, and the Los Angeles Permanent Supportive Housing Alliance, regarding the Alliance's proposal to increase the allowable deduction from a project's residual receipts to pay for support services for the vulnerable populations with multiple disabilities. After evaluating the proposal by the Alliance, and conducting an internal analysis, LAHD recommends that project sponsors be allowed to deposit funds into a Supportive Services Reserve Fund prior to the residual receipts calculation in the following amounts:

- \$4,000 per unit per year for the chronically homeless
- \$2,250 per unit per year for homeless with special needs

Previous NOFAs allowed project sponsors to deduct \$800 for chronic homeless housing units and \$400 for homeless housing units, per unit per year from cash flow to pay only for service coordination. Income generated by the project could not be utilized to fund supportive services.

The increased social service reserve is intended to improve the housing stability and project operations. Disbursements from the Supportive Services Reserve Fund will be controlled by LAHD, and shall be subject to project sponsors meeting pre-determined conditions. As it pertains specifically to homeless populations, funds will be disbursed upon meeting concurrence that the project's Service Plan is in compliance and in effect.

Online NOFA Application

Beginning with Round 1 of the 2012 NOFA, LAHD will implement an online application system, which will eliminate paper applications, saving applicants significant time and expense in the production and delivery costs, while improving departmental efficiency. The application has been developed by LAHD's Systems Division and is currently undergoing beta testing.

"Home For Good" Funders Collaborative

2012 Round 1 will also be the first round of the Collaborative NOFA for Permanent Supportive Housing, in which LAHD, the Housing Authority of the City of Los Angeles (HACLA), and three Los Angeles County Health agencies (LA County Department of Health Services, Department of Mental Health, and Department of Public Health) will combine resources to provide capital, operating subsidy, and supportive services funding via one application system. For example, HACLA will make available 300 Project-based Section 8 vouchers and award them in collaboration with this NOFA. LAHD's online system will be the intake vehicle for the applications from all partner agencies, and funding decisions will be made collaboratively.

The creation of a funding collaborative was a key component of the "Home for Good" plan, which was released by the United Way of Greater Los Angeles and Los Angeles Area Chamber of Commerce and endorsed by the Mayor, Council, and LAHD General Manager. The plan's vision was to provide sponsors of Permanent Supportive Housing projects a single application for multiple funding sources.

LAHD recommends \$10 million in Affordable Housing Trust Funds be made available for Permanent Supportive Housing in coordination with the other Home for Good Collaborative Funding agencies.

ACTIONS RELATED TO THE AHTF

Reallocation of Funds

It is requested that LADWP Housing Development funds in the amount of \$1,080,001.57 be transferred from a prior fiscal year's account to the current year's account in order for funds to be available on an as-needed basis for project expenditures. In addition, authority is requested to decrease appropriations within the Affordable Housing Trust Fund 43G218 in the amount of \$1,000,000.00 because the funds are no longer needed as approved under the FY 2010-11 Budget.

FISCAL IMPACT

For the AHTF, a total of \$21.2 million is available from HOME sources. There is no fiscal impact on the City's General Fund.

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Approved by:



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Attachments:

- 1) 2012 AHTF NOFA
- 2) AHTF and PSHP Activity Summary

CITY OF LOS ANGELES
AFFORDABLE HOUSING TRUST FUND
NOTICE OF FUNDING AVAILABILITY

2012 Round 1

DRAFT

November 5, 2011

DRAFT

**AFFORDABLE HOUSING TRUST FUND
2012 ROUND 1 NOTICE OF FUNDING AVAILABILITY**

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Attachments: Applicable items from the following list must be completed and submitted with the AHTF application. Please refer to the Application Checklist for a complete list of required documents.

<u>Checklist No.</u>	<u>Description</u>
C 3.	Assurances & Conditions
C 11.	LAHD Credit Check Authorization
C 12.	Applicant's Certification Statement
C 13.	List of properties
C 14.	List of Entities and Names of Partners
D 3.	Relocation Tenant Rent Roll
D 4.	General Information Notice
E 4.	Affordable Housing Referral Form—L.A. City Planning Department <i>Sec. 2.6)</i>
E 5.	
E 6.	Voluntary Acquisition Letter
F 2.	CRA-123 Letter of Acknowledgment and Support <i>(Sec. 2.4)</i>
G 2.	Construction Cost Breakdown—“Schedule of Values”
G 8.	Davis Bacon Wage Statement
G 9.	Property Management Plan
J 6.	At-Risk and Score Worksheet

Exhibits:

1. LAHD Architectural Requirements (revised 12-29-2010)
2. Los Angeles City Planning Department's CEQA Process
3. Intentionally Left Blank
4. Map of South Los Angeles-Priority Area
5. Lead-Based Paint Hazard Remediation Incentive Program
7. LAHD Requirements for HUD Section 3
8. COI Boundary Map (not applicable for 2012 Round 1)
9. At-Risk Assessment Criteria (Revised 1/6/11)

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**AFFORDABLE HOUSING TRUST FUND
2012 NOTICE OF FUNDING AVAILABILITY**

INTRODUCTION

The purpose of this Notice of Funding Availability (NOFA) is to announce the availability of funding from the City of Los Angeles through the Los Angeles Housing Department (LAHD) to assist in the creation of affordable housing. The City's goal, through the Affordable Housing Trust Fund (AHTF), is to create housing for low and very-low income households within the City.

The housing created is intended to serve all populations identified by the California State Tax Credit Allocation Committee (TCAC), the California Department of Housing and Community Development (HCD), and the U.S. Department of Housing and Urban Development (HUD). The housing created should not only provide additional housing opportunities, but should also attempt to revitalize neighborhoods and remove blight. Irrespective of the funding scenarios, all projects should seek to leverage limited City funding to the greatest extent possible.

This NOFA will seek to prioritize projects that have the ability to move quickly from predevelopment into construction and completion. The funds provided under this NOFA are to be used to fill the financing gap between the projected Total Development Cost (TDC) of the project and other available funding sources.

Interested parties may be added to the AHTF NOFA mailing list by submitting a request to LAHD_NOFA@lacity.org. The NOFA and NOFA related documents and information is available on the Web at <http://lahd.lacity.org/lahtiinternet/AHTFNOFA/tabid/366/language/en-US/Default.aspx>.

Awards Available in 2012 Round 1

\$21.2 million dollars (\$21,237,737) in funds will be available in 2012 Round 1.

Funding categories are as follows:

- \$10 million for Permanent Supportive projects serving homeless individuals and families
- \$3 million for Preservation/At-Risk projects
- \$8.2 million for Affordable Housing projects

Projects submitted under this NOFA should be structured utilizing one or more of the following funding sources:

1. 9% Low Income Housing Tax Credits (LIHTC);
2. MHP combined with 4% LIHTC; or
3. Other committed public or private sources

Regardless of the leveraged funding source, all projects are to be underwritten assuming 100% HOME funds. LAHD's funds must eventually be used in a manner consistent with the regulations applicable to the leveraging source(s). Projects that obtain funds from LAHD and require the issuance of bonds must use LAHD as the issuer of these bonds.

Successful applicants under this NOFA are required to apply in the next competitive round for the proposed leveraging source. The AHTF commitments are contingent upon the project's receipt of an award from its identified leveraging source after applying to such source no more than two (2) consecutive times.

Applicants who do not receive an LAHD award may be reconsidered in a subsequent round, subject to the submittal of updated financial information and other pertinent documents.

All technical assistance questions must be emailed to lahd_nofa@lacity.org. To ensure the fair and consistent distribution of information, all questions will be answered via a Question-and-Answer (Q&A) document available on the World Wide Web (Web) at www.lacity.org/LAHD. No individual answers will be provided. The Q&A document will be updated on a regular basis to ensure the prompt delivery of information.

The deadline to submit applications is midnight January 12, 2012. In addition to completing the online AHTF application, all leverage items must be received by LAHD within one week of the application deadline, or no later than 4:00 p.m. January 19, 2012:

- Two hard copy sets of full size architectural plans
- Two electronic copies of the primary leveraging source application on compact discs (cd)

For Round 1 only, applicants will have the option of submitting a copy of the application on cd instead of completing the online application. All required attachments must be included.

Applications submitted after the deadline will not be accepted for processing. All applicants are encouraged to file their applications as early as possible. LAHD reserves the right to waive minor technical deficiencies in the application.

Where supporting documents are provided by LAHD, those forms must be submitted and must not be modified.

The NOFA Timeline is subject to change. Any modifications to the Timeline will be posted on the AHTF webpage.

Contact persons may be added to the mailing list by submitting a request to lahd_nofa@lacity.org. A copy of the NOFA is available on the Web at www.lacity.org/lahd.

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**AFFORDABLE HOUSING TRUST FUND
2012 NOTICE OF FUNDING AVAILABILITY
TIMELINE***

		ROUND 1	ROUND 2
1	Draft NOFA posted	12/16/11	4/6/12
2	AHTF Bidders' Conference	12/22/11	4/12/12
3	AHTF Paper Applications due by 4:00 p.m. Online Applications due by midnight	1/12/12	5/3/12
	Architectural Plans and Leveraging Source Application due by 4:00 p.m.	1/17/11	5/10/12
4	Last day to appeal	2/8/12	5/25/12
5	Appeals Hearing	2/14/12	5/30/12
6	Final Score and Funding Transmittal Released to Mayor's Office	2/15/12	6/6/12
	Item scheduled for consideration by the HCED Committee	3/7/12	6/27/12
	Item scheduled for consideration by the City Council	3/13/11	7/3/12
9	Mayor's concurrence	3/16/11	7/6/12
10	Commitment Letters issued	3/19/11	7/9/12
11	TCAC Round 1 Deadline	3/22/12	7/11/12

*Dates are estimates and subject to change.

**PART 1
PROGRAM REGULATIONS**

Through this Notice of Funding Availability (NOFA), the Los Angeles Housing Department intends to fund the rehabilitation, construction and preservation of multi-family rental housing to address the needs of low and very-low income households. The City will place great emphasis on proposed projects that clearly demonstrate the ability to compete for one of the primary leveraging sources and have a proven track record in developing projects on time and within budget.

1.1 Eligible Applicants

Applicants must comply with LAHD's funding source requirements. Applications will be accepted from non-profit developers, for-profit developers, joint ventures, LLCs and limited partnerships.

LAHD may deny applications from individuals or entities that have not met current obligations to the City, as identified in LAHD's Business Policy. Submittal of a proposed project by an applicant in non-compliance may result in disqualification of the project based on threshold criteria.

Applicants are encouraged to resolve any delinquencies or other LAHD Business Policy compliance issues prior to applying for financial assistance.

1.2 Eligible Projects

All multi-family rental housing projects must use the following minimum rent standards for units which are to be assisted with LAHD funding:

- All units assisted by LAHD must be affordable to households at or below 60% of the area median income (AMI) for the Los Angeles Metropolitan Statistical Area. Income targeting must occur across all proposed unit types.
- Rents for the affordable units must be set at least 10% below market rents in that neighborhood as established by a current independent appraisal or market study as required in Section 2.3.1 of this NOFA.
- Units must comply with the affordability requirements of the applicant's identified leveraging source.

Permanent Supportive Housing Projects

Projects seeking Project Based Section 8 Vouchers (PBV) that intend to compete in TCAC's Non-Profit Homeless or SRO Set Asides, or MHP's Supportive or Homeless Youth programs are eligible to apply in this NOFA. Applicants must provide responses to all HACLA and L.A. County Health Agencies' questions under the Narratives tab of the online application, in addition to completing all applicable portions of the LAHD application.

Projects seeking PBVs must include a support services plan and budget as outlined in Section 1.14 of this NOFA. Projects must have a commitment for sponsor-based or project-based rental assistance for no less than fifty percent (50%) of the units in the proposed project with a contract of not less than five (5) years, as evidenced at minimum by a letter of intent from the governmental entity.

In addition, projects serving chronically homeless individuals with special needs will be required to receive applicant referrals from the County Departments participating in this NOFA and will be required to collaborate with the County Departments on the final support services plan to serve this population. Applicants are encouraged to complete as much of the support services plan as possible and should indicate in it that they will collaborate with the County Departments on the final support services plan. NOTE: While the County Departments are committed to collaborating with Projects serving chronically homeless individuals with special needs on support service plans to serve this population, it is understood that some Projects may serve more than one population and the County Departments would seek to collaborate with Projects to coordinate support services across the various populations as much as is feasible.

In addition, a minimum of 50% of the units reserved for single adults must serve persons with special needs who are chronically homeless. To be considered chronically homeless, a person must have been continuously homeless for one year or more OR had at least four episodes of homelessness in the past three years. Special needs include, but are not limited to, a diagnosable substance abuse disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions. Persons must have been sleeping in a place not meant for human habitation (e.g. living on the streets) and/or in an emergency homeless shelter during that time.

Preservation of At-Risk Projects

To be considered At-risk housing, the application shall meet the requirements of California Revenue and Taxation Code subsection 17058(c)(4) and must identify 9% tax credits as the leveraging source. In addition, the project must meet the at-risk eligibility requirements under the terms of applicable federal and state law as verified by a third party legal opinion, and must score a minimum of 75 points on the Self-Score Worksheet for At-Risk Projects (Item J06 of the Application Checklist), utilizing the At-Risk Assessment Criteria, set forth as Exhibit 9 of this NOFA.

Projects with Other Public or Private Committed Sources

Projects that have secured commitments of public and/or private sources other than the leveraging sources listed in the Introduction may apply under this NOFA. Projects must submit "Part VI F – Lowest Income" of the TCAC application to demonstrate affordability levels are consistent with the requirements set forth herein.

1.3 (Reserved)

1.4 Eligible Activities

Specific eligible activities are prescribed by LAHD's funding sources. Regulations vary by type of developer (for-profit or non-profit), funding source, and other sources of project financing present in the project. LAHD funds can generally be used for acquisition, predevelopment reimbursement(?) and rehabilitation or construction related costs. **The AHTF will not provide financing for the purpose of acquisition only or for the sole purpose of refinancing existing debt.**

Funds are available for:

- Acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs and relocation expenses. Any net reduction in the number of units must be necessary to improve habitability or marketability of the project. However, if a new construction project entails relocation or permanent replacement, at minimum, the project must net 100% more units (i.e., double) than the amount to be demolished.
- Construction and permanent financing expenses including demolition, off-site public improvements, construction bonds; general contractor and subcontractor payments including overhead, profit and general conditions.

Where refinancing is necessary to preserve an existing 100% affordable project, the applicant must demonstrate that:

- Rehabilitation is the primary eligible activity and that the hard costs of rehabilitation are at least \$40,000 per unit;
- The property is in distress and that disinvestment has not occurred; that the long term needs of the project can be met and the feasibility of serving the targeted population over an extended affordability period can be demonstrated;
- The new investment is being made to maintain current affordable units, create additional affordable units, or both;
- Funds will not be used to repay multifamily loans made or insured by any Federal program, including CDBG.

1.5 Ineligible Activities

Ineligible Activities include:

- Reapplying for AHTF an awards for the same proposed project using another source of leveraging while an AHTF commitment is still outstanding.

- Payment for the relocation of persons engaging in criminal activity or undocumented immigrants as defined by HUD in section 49 CFR Part 24.
- The payment of delinquent taxes, fees or charges on properties to be assisted with HOME funds.
- Financing for the purpose of acquisition only or for the sole purpose of refinancing existing debt.

1.6 Current Awards & Pending Applications

Proposals that have received an award of funding through the AHTF NOFA or have an application pending at TCAC or any of the other leveraging sources are **not** eligible to apply for funding through the AHTF. Exceptions to this rule will be granted only under the following conditions:

- The current AHTF commitment has been relinquished by the applicant prior to the new application deadline; or
- The project type (e.g. family, seniors, special needs) has not changed since the original AHTF commitment **and**
- Any material changes to project development costs must have been demonstrably beyond the control of the applicant.
- The applicant has obtained written approval from the Director of Major Projects prior to applying to the leveraging source.

Projects that reapply for AHTF financing pursuant to this section will be scored and ranked and will compete in par with all other applicants in this round.

1.7 Limits on Awards

No more than two (2) awards per round will be made to any one developer (or any parents).

Senior housing projects proposing 9% tax credits will be limited to no more than two (2) awards per round.

1.8 AHTF-Conditions of Commitment

For Round 1, the maximum term of any letter of commitment will be for two (2) TCAC funding rounds.

Applicants receiving AHTF Letters of Commitment must apply in the next available round of their proposed leveraging source. Applicants who fail to apply for the primary leveraging source identified in their application or fail to secure any or all sources of funding, in full or in part, will have their AHTF commitment withdrawn.

1.9 Maximum Loan Amounts

The following subsidy loan limits apply to all projects. Maximum subsidy may only be calculated for those units which will be restricted at or below 60% of Area Median Income (AMI) for the Los Angeles Metropolitan Statistical Area. The maximum LAHD loan available to any one project is \$14 million. In aggregate, the total outstanding loan amount to any one borrower, developer or general partner, may not exceed 5% of LAHD's loan portfolio balance. The borrower loan limits will be updated with each NOFA release.

Unit Type	TCAC 9% L.A. County Geographic Apportionment, or Projects with other Public or Private Leverage Sources	TCAC Homeless or SRO Set-Asides, or Other Sources of Homeless Funding
0 bedroom	\$83,360	\$100,000
1 bedroom	\$92,360	\$117,500
2 bedroom	\$97,360	\$115,000
3 bedroom	\$102,360	\$115,000
4 bedroom	\$107,360	\$115,000

Note: Special Needs subsidy is applied on a per-unit basis, not a per-bed basis.

1.9.1 Subsidy Boosts

The base subsidy per-unit amounts may be increased if the project meets certain criteria that further the City's housing goals as described below.

Maximum subsidy for the following types of projects will be higher than the Maximum Loan amounts outlined in Section 1.9, as indicated in the table below:

Category	Subsidy Boost
South Los Angeles	5%
Transit-Oriented District (TOD)	5%
"Balanced Communities"	5%
New Generation Fund (NGF) or Supportive Housing Loan Fund	15%
SHH	
Elimination of Physical or Economic Blight	5%
Additional Support from Local Community Groups	2%

Subsidy boosts may be combined and applied cumulatively, but in no case shall the maximum subsidy exceed Section 221(d)(3) maximum per-unit subsidy limits under the HOME Program, as outlined in the table below:

HOME PROGRAM MAXIMUM SUBSIDY LIMITS

Bedrooms	HOME Maximum Subsidy
0	\$125,928
1	\$144,355
2	\$175,536
3	\$227,086
4+	\$249,271

Descriptions of the Subsidy Boost categories are as follows:

South Los Angeles

A proposed project must be situated within the South Los Angeles boundaries (Exhibit 5). The geographic boundaries of South Los Angeles are defined as:

- Pico Boulevard to the North
- Alameda Avenue to the East
- The 405 Freeway to the South
- La Cienega Boulevard to the West

TOD

A TOD-eligible proposed project must be part of a transit-oriented development located within one-quarter mile from a Transit Station serving:

- Heavy Rail (*METRO Red Line*)
- Light Rail / Bus Rapid Transit (*METRO Orange Line*)

as defined by Part 13 of Division 31 of the Health and Safety Code (commencing with Section 15660), which establishes the Transit Oriented Development Implementation Program, measured in a straight line from the nearest boundary of the Housing Development parcel to the outer boundary of the Transit Station site; and within one-quarter mile from a Transit Station, measured from the nearest boarding point of the Transit Station to the entrance of the residential structure in the Housing Development furthest from the Transit Station along a walkable route. The walkable route, after completion of the proposed Project, shall be free of negative environmental conditions that deter pedestrian circulation, such as barriers; stretches without sidewalks or walking paths; noisy vehicular tunnels; streets, arterials or highways without regulated crossings that facilitate pedestrian movement; or stretches without lighted streets.

For applications requesting the TOD subsidy boost, the following documentation is required:

- Scaled Distance Map and Parcel Map
- Bus/Train/Subway schedules

Balanced Communities

Developments located within a high income area, to encourage the creation of affordable rental housing. The proposed development may qualify if: a) it is located within a census tract where the average income is at or above 100% of the Los Angeles- Long Beach- Santa Ana, CA Metropolitan Statistical Area median, as verified by census data; or, b) located within a ½ mile radius where the average home sales prices are above 100% of the area median sales price for Los Angeles County, as published by the Standard & Poor's/Case-Shiller index of home prices or the California Association of Realtors.

New Generation Fund (NGF) / Supportive Housing Loan Fund (SHLF)

Projects that have received acquisition loans through the NGF or SHLF.

Elimination of Physical or Economic Blight

Physical Blight

Under current ownership, the project will replace or rehabilitate buildings in which it is or was unsafe or unhealthy for persons to live or work. These conditions may be evidenced by a recorded notice of serious building code violations or serious dilapidation and deterioration caused by long term neglect. In addition, these conditions may also be evidenced by a seismic engineering study indicating that the building is unsafe due to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities; or

Economic Conditions that Cause Blight

Project site contains buildings of lots that cannot be economically used because of substandard size, obsolete design, lack of parking, substandard or defective construction, or have abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

Additional Support of Local Community Groups

Projects that can demonstrate written support from recognized local community groups, beyond the requirements of Section 2.4 of this NOFA. Documentation must contain satisfactory evidence of the authorization of all signatories.

1.10 Density Bonus

Projects approved under Los Angeles Municipal Code Section 12.22-A.25 implements the State Density Bonus Program (*including parking reductions*), are subject to rents published by the State HCD, which are lower than Section 42 Low Income Housing Tax Credit rent levels.

Section 12.22 A.25 of the Planning and Zoning Code implements the State's Density Bonus Law (SB 1818) which sets forth provisions and procedures for housing developments to receive a density bonus and other incentives provided a requisite number of dwelling units are set aside for Low or Very Low Income Households as

defined by Sections 50079.5 and 50105 of the California Health and Safety Code. These rent limits are based on income limits published by HCD and are lower than IRS Code Section 42 LIHTC (TCAC) rent limits.

Applications for projects seeking a Density Bonus, including reduced parking or any other incentives, must be consistent with the rent limits published by the HCD. Conditions of Approval for any Density Bonus project will require that prior to loan closing, a covenant is recorded that restricts the units to the HCD rent levels. **Exceptions are allowed pursuant to the Zoning Administrator's Interpretation Case No. ZA-2009-2676, Section 12.22-A, 25(d)(2) of the Los Angeles Municipal Code – Density Bonus Provisions.**

Applicants are therefore strongly advised to confirm the requirements with LAHD's Occupancy Monitoring and Land Use Divisions prior to submitting an application under this NOFA, and to submit documentation in advance to allow for maximum available time to complete the land use covenant prior to loan closing.

The Occupancy Monitoring and Land Use Divisions can be reached at (213) 808-8806.

1.11 Loan Terms and Conditions

- 1.11.1 Type**
Acquisition, Predevelopment and Construction or Permanent Financing only.
- 1.11.2 Interest Rate** - The interest rate for all loans is 5% (simple interest). LAHD reserves the right to negotiate a higher or lower interest rate if it is found to be beneficial to the project.
- 1.11.3 Calculation of Interest** - Simple interest will be calculated on the loan amount outstanding and based upon a 365-day year and actual number of days elapsed.
- 1.11.4 Payments** - Interest will be paid from residual receipts of the project. Unpaid interest will be deferred and due at maturity of the loan.
- 1.11.5 Term** - Forty-Two (42) Years (24 month construction period plus 40 year permanent loan period).
- 1.11.6 Conditions for Conversion** – LAHD will not allow a construction loan to convert to a permanent loan unless the following conditions are met:
- Receipt of a Certificate of Occupancy, a Temporary Certificate of Occupancy or acceptable evidence of final sign-off from the Los Angeles Department of Building and Safety.
 - Achievement of 90% occupancy.
 - LAHD receipt of complete rent rolls.

- Evidence of application for property tax abatement if original proforma contemplated tax abatement.
- Evidence that any conventional debt for the project has closed or will close concurrently.

1.11.7 Relocation

Permanent displacement of the project site's residents is to be minimized. The cost of relocation will be considered in assessing the feasibility of the proposed development. At minimum, a new construction project must net 100% more units than the amount proposed to be demolished (i.e., double).

If the proposed site was occupied during the six months prior to or during purchase negotiations, a relocation plan and assessment must be submitted. In addition, a copy of the relocation consultant's agreement and the consultant's resume/qualifications must be provided.

The relocation plan must be completed and carried out by a qualified relocation consultant. The relocation plan must include at a minimum:

- A reasonable cost estimate;
- Identification of the number of households/businesses to be displaced;
- A current rent roll at the time of this application;
- Addresses of the required relocation notices; and,
- A description of the proposed advisory services to be provided to the displaced households/businesses.

The relocation assessment must be completed by a qualified relocation consultant and must include a detailed cost estimate based on compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (**Uniform Act**) and other HUD requirements including **Section 104(d)** of the Housing and Community Development Act.

All projects will be required to adhere to the Uniform Acquisition and Relocation Act of 1970 (URA), Section 104(d) of the Housing and Community Development Act of 1974, amended, and/or the City of Los Angeles' Rent Stabilization Ordinance (RSO), whichever is applicable to each individual household and is most financially beneficial to the individual household. Please note that at minimum, the RSO relocation benefit amount must be provided to each qualifying household where the federally-prescribed relocation assistance amounts are less than the current RSO-prescribed amount; however, federal funds that are granted through this NOFA can only reimburse relocation costs that are supportable by URA and Section 104(d) regulations.

A completed Acquisition-Relocation Project Summary Assessment Form (Item E5 of the Application Checklist) must be submitted with the NOFA

application. A completed Relocation Tenant Rent Roll (Item D3 in Application Checklist) must also be submitted.

URA regulations require that persons who are scheduled to be displaced must be provided with a General Information Notice (GIN) (Item D4 of the Application Checklist) as soon as feasible. For the purposes of this NOFA, "as soon as feasible" is the application deadline date for NOFA applications. It is therefore required that copies of the General Information Notices sent to each of the tenants residing at the project site be submitted with the NOFA application, along with proof that the notices were received by the intended recipients. In addition, the GIN must state the local, state, and/or federal regulations regarding relocation or displacement payments may apply. The exception to this requirement is if the developer can provide evidence of good cause as to why it was infeasible to issue GINs and provide proof of service at the time of NOFA application. In this instance, the developer must submit, along with the tenant rent roll, a written statement detailing why it was not feasible to serve the GINs. However, in all cases, GINs must be served prior to receipt of the loan commitment, and evidence of such notices must be received by LAHD within 30 days of service to the displaced and/or property owner. If the project fails to secure a funding commitment, either through this NOFA or the chosen leveraging source(s), all GINs must be rescinded.

In addition to the other requirements of this section, Voluntary Acquisition Letters (Item E6 of the Application Checklist) must be submitted at the time of NOFA application. For more information regarding Voluntary Acquisition Letters, please refer to the Section regarding Site Control (Section 2.5).

1.11.8 Property Management

Skilled property management is critical to the success of affordable housing development. At the time of application, candidates must submit a Property Management Plan (Item G9 of the Application Checklist). This information will be used in the proposal evaluation process. Before LAHD will commit to funding a loan for a project selected through the NOFA process, the developer must submit the qualifications of its management entity. LAHD reserves the right to approve the property management firm for each project. If during the life of the project, LAHD determines that the costs associated with management of the property are higher than those for comparable projects, or that the property management company is not acting in good faith, LAHD may require a change in the property management provider.

1.11.9 Leasing Preference

For AHTF funded projects, the developer must ensure that leasing priority is granted in the following order prior to offering the units to the general public:

- To displaced tenants meeting income and other eligibility requirements *(for projects located within CRA/LA Redevelopment Areas only; please refer to California Health and Safety Code Section 33411.3)*
- To persons currently residing in the City of Los Angeles meeting income and other eligibility requirements

The developer is required to retain up-to-date records of the relocated/displaced tenants' addresses and to properly notify said tenants of lease-up information. Copies of the notices, with proof of delivery, must be delivered to LAHD for all tenants that were listed in the Relocation Tenant Rent Roll.

Projects requesting Project Based Section 8 Vouchers (PBV) must comply with the leasing preferences outlined in the Housing Authority of the City of Los Angeles PBV NOFA.

In order to help house "situationally homeless" families, the Housing Authority of the City of Los Angeles (HACLA) has agreed to work with the LAHD in creating a process that facilitates giving preference in leasing to families referred by non-profit agencies providing social services under contract with HACLA. Please note that the "situationally homeless" families referred to these projects by HACLA contract agencies shall NOT demonstrate the need for intensive services, as defined in Exhibit 10, Supportive Services for Permanent Supportive Housing projects. For all intents and purposes, leasing preference shall be extended to families that have experienced a recent, non-chronic episode of homelessness. Tenants would also be required to meet all of the project's occupancy requirements. The developer/property management company would not, however, be required to hold 10% of its unit off-line if a sufficient number of qualified, priority referrals are not received along with the at-large pool of applicants.

1.11.10 Misrepresentation or Material Changes to the Project

Any change regarding the borrowing entity or changes to the project's design, including but not limited to unit count, unit configuration, and/or financial structure of either the applicant or the project subsequent to the submittal of the LRF application must receive LAHD's written approval, otherwise, LAHD reserves the right to withdraw its commitment. In the event misrepresentations are made regarding either the borrowing entity or the project, LAHD's commitment will be cancelled.

1.11.11 Equity Share

For any loan funded by the LAHD, if the borrower fails to perform within a specified period of time and the property is ultimately sold, LAHD will be entitled to a share in any appreciation that has occurred between the price paid at acquisition and the time of sale. LAHD's share in the appreciation will be

equal to the proportion of the LAHD loan amount to the original purchase price of the property.

1.11.12 Repayment

Acquisition/Pre-development and Construction Loans - Payment of principal and interest will be deferred during the predevelopment and construction periods as long as the project is not in default.

Permanent Loans - Permanent Loans are generally repaid through a residual receipts note which allows the project to repay principal and accrued interest when adequate cash flow is available for distribution. LAHD receives its pro-rata share of the cash flow remaining after the following allowable deductions: (1) operating expenses calculated on a cash basis; (2) debt service on senior project debt; (3) payments to the operating reserve fund; (4) payments to the replacement reserve fund; (5) repayment of general partner loans; (6) deferred developer fees; and (7) related party management fee up to fifteen thousand dollars (\$15,000).* LAHD will allow no other fees to be deducted prior to payment of residual receipts to the LAHD.

** The maximum allowable pre-approved related party management fee is up to \$15,000. This fee must be substantiated prior to the closing of the loan by the developer and cannot include charges for any office overhead for the development of the project or project operating expenses.*

1.11.13 Security

The LAHD loans will be evidenced by a promissory note and secured by a deed of trust.

1.11.14 Subordination

The LAHD may, at its discretion, subordinate repayment, security positions and affordability covenants to a conventional lender or other public agency lender.

1.11.15 Affordability Covenant/Regulatory Agreement

For all proposed projects, the required term of the affordability covenant will be fifty-five (55) years from the completion of construction, or the maximum required by TCAC, MHP, HUD or CDLAC, whichever is longer. The affordability covenant remains in effect for not less than the agreed-upon term regardless of the date upon which the LAHD loan is fully repaid.

1.11.16 Default

The loan agreement will specify the events which may cause LAHD to declare the borrower in default. These events include, but are not limited to:

- Development or operational cost overruns
- Failure to construct the proposed project within the time agreed
- Breach of rent covenants

- Failure to maintain the property
- Failure to make agreed-upon loan repayments
- Failure to receive an LAHD approval prior to any change in ownership entity
- Breach of affirmative action, equal opportunity, contractor responsibility, equal benefits or MBE/WBE requirements
- Failure to submit annual financial statements certified by a certified public accountant and the borrower's failure to abide by Davis-Bacon or Prevailing Wage requirements
- Failure to maintain appropriate insurance coverage
- Commencing construction including demolition without LAHD authorization
- Failure to abide by development and/or construction schedules
- Failure to maintain the project "in balance" during construction
- Bankruptcy
- Dissolution or insolvency of the ownership entity

1.12 Cost and Pricing Guidelines

1.12.1 **Purchase Price**

The maximum allowable purchase price is the lower of either the purchase price of the property or the as-is appraised value as evidenced by an appraisal prepared by a California State Certified General Appraiser prepared not more than six months prior to the date of the property's acquisition. The appraisal may not determine property value based solely on sale of comparables financed by public agencies. Additionally, if the subject site is being sold by an entity related to the newly proposed ownership entity, any mark-up on the land costs must be disclosed and will be subject to LAHD approval.

1.12.2 **Tax Credit Pricing**

In lieu of updated tax credit pricing guidelines from TCAC, applicants should assume the tax credit pricing from the investor's Letter of Interest. However, LAHD will not approve a loan based on assumptions that are unreasonable or inconsistent with industry standards.

1.12.3 **Cost Controls**

All contracts, including but not limited to Owner/Architect, Owner/Consultants and Owner/General Contractor must be approved by LAHD. All contract agreements entered into prior to submittal of an AHTF application are subject to LAHD review and approval.

Developers are required to submit a "Schedule of Values" for construction costs. These costs should take into consideration anticipated increases in construction labor and materials costs through the projected construction period. Applicants should not expect LAHD to fill any additional financing gaps that occur as a result of rising prices.

1.12.4 Competitive Bid

If at the time of application, the general contractor was not identified as part of the development team, the construction contract shall be awarded through a competitive bid process. The Borrower shall utilize a Request For Qualifications (RFQ) process (soliciting a minimum of 3 contractors). Awards will be made to the responsible firm whose proposal is most advantageous to the project with price and other factors considered. Criteria for selection should include, but not be limited to: the success of previous projects; experience and track record for bringing projects on time and on budget; amount of overhead and profit; whether the general contractor can do the job within the time frame required; contractor integrity; and, the breadth of financial and technical resources to support the project. The general contractor, construction contract, and any change orders issued thereunder, will be subject to the LAHD's approval. If at the time of application, a general contractor has been selected and identified as a member of the development team, the developer/ general contractor must provide a minimum of three (3) sub-bids of each major trade including but not limited to site work, concrete, carpentry, drywall, plaster, mechanical, electrical and plumbing.

1.12.5 Disallowed Costs

The LAHD reserves the right to disallow any costs which it believes to be excessive, avoidable, unwarranted or disallowed pursuant to any and all funding guidelines. Additionally, LAHD will not approve a loan based on costs that are unreasonable or inconsistent with industry standards. Construction estimates will be reviewed at the time of application and any estimates considered to be excessively high or low may result in the rejection of the application.

1.12.6 Wage Compliance

Assuming HOME funds will be used as a funding source, at minimum, all projects will be required to pay wages to laborers and mechanics at the Davis-Bacon wage rates. However, any project funded in whole or in part with Community Redevelopment Agency (CRA/LA) or other State funds are subject to State Prevailing Wage Requirements.

All projects located within the City of Los Angeles, including tax-exempt bond-financed projects, must pay wages to laborers and mechanics at either the State of California prevailing wage requirements or Davis-Bacon wage rates, whichever is higher.

For both Davis-Bacon and State Prevailing Wage projects, the final wage decision to be employed will depend upon the size (height) of the project. Projects that are four stories and under must use the Residential Construction Wage Determination and projects that are five stories and above must use a Building Construction Wage Determination. **Project sponsors shall be**

responsible for complying with the applicable wage scale as determined by the City.

1.12.6.1 Davis-Bacon Wage Requirements

The U.S. Department of Labor (DOL) issues Davis-Bacon Work Determinations reflecting prevailing wages and benefits paid by the construction industry within specific localities. The Work Determinations are further classified by the nature of the construction projects performed, specifically listed as "schedules": residential, building, highway, and heavy construction. A brief outline of the definitions for each schedule is listed below. Further details and examples may be found in DOL's "All Agency Memorandum No. 130 and 131" issued in 1978 (reference the WDOL Library Page). For more information, please refer to DOL's website containing Federal Davis-Bacon Wage Determinations at <http://www.wdol.gov/archdba.aspx>.

- **Building Construction:** Includes construction of sheltered enclosures with walk-in access for the purpose of housing persons, machinery, equipment or supplies; all construction of such structures; the installation of utilities and of equipment, both above and below grade levels; as well as incidental grading, utilities and paving. Such structures need not be "habitable" to be building construction. Also, the installation of heavy machinery and/or equipment does not generally change the project's character as a building.
- **Residential Construction:** Includes the construction, alteration or repair of single-family houses, apartment buildings of no more than four stories in height. This includes all incidental items such as site work, parking areas, utilities, streets, and sidewalks.

Projects utilizing LAHD funds will be subject to the payment of wages to laborers and mechanics at a rate not less than the minimum prevailing wage rate specified by the Secretary of Labor, in periodic wage determinations (Davis-Bacon Wages), in conformity with either HOME, CDBG, NSP or other applicable federal funding regulations.

1.12.6.2 State Prevailing Wage Requirements

Any project funded in whole or in part with Community Redevelopment Agency (CRA/LA) or other State funds is subject to State Prevailing Wage Requirements.

According to the definitions contained in Title 8, Section 1504 of the California Code of Regulations, the following is the definition of a building story:

- Story. That portion of a building included between the upper surface of any floor and the upper surface of the floor next above, except that the topmost story shall be that portion of a building included between the upper surface of the topmost floor and the ceiling or roof above. If the finished floor level directly above a basement, cellar or unused underfloor space is more than 6 feet above grade as defined herein for more than 50 percent of the total perimeter or is more than 12 feet above grade as defined herein at any point, such basement, cellar or unused underfloor space shall be considered as a story.

Information regarding California's State Prevailing Wage Determinations are as follows:

CA State Wage Determinations:

http://www.dir.ca.gov/dlsr/statistics_research.html

Archived CA State Determinations:

<http://www.dir.ca.gov/dlsr/DPreWageDetermination.htm>

1.12.7 Contractor Accountability

Guaranteed Maximum (GMAX) contracts

General Contractors will be required to use a Guaranteed Maximum (GMAX) price contract with a cap of 14% on profit, overhead, and general conditions.

Construction Contract Audit

An audit of the construction contract will be incorporated into the Cost Certification process at project conclusion. LAHD will require a third party accountant's opinion that includes a calculation of profit, overhead, and general conditions as a percentage of the total contract amount.

Enforcement Language

The City loan documents will enforce the 14% cap on profit, overhead and general conditions that includes penalties, fees, and possible debarment of the borrower, contractor and/or their principals.

LCP Tracker

Contractors will be required to report to LAHD's Prevailing Wage Compliance Unit using the LCP Tracker labor compliance software, used by many public agencies to capture, monitor, and report prevailing wage compliance in projects financed with public funds. An amount equal to .03% of the construction contract must be paid in monthly installments by the contractors to support the system.

1.12.8 Utility Allowance

Newly constructed projects in the design phase (brand new, never previously used buildings) must use the California Energy Commission (CEC) California Utility Allowance Calculator (CUAC). LAHD requires that the signing consultant must be qualified by the California Association of Building Energy Consultants' (CABEC) Certified Energy Plans Examiner (CEPE) program, and must be a certified Home Energy Rating System (HERS) Rater or a California licensed mechanical engineer or electrical engineer.

Rehabilitation projects or projects with Project-Based Section 8 Vouchers from HACLA must use HACLA's utility allowance.

1.13 Architectural Design

All proposed projects shall undergo an architectural review. To be competitive, the project design should comply with LAHD Architectural Guidelines (Exhibit 2). For "cosmetic rehabilitation projects", applicants are required to submit a property needs assessment report or engineering inspection report as discussed in Section 2.3.5 of this NOFA. Aesthetic and environmental considerations will be part of the review process. Projects that reflect community input and support and serve to enhance the surrounding community are encouraged. In addition, applicants must make the proposed project architect aware of LAHD's Consent and Assignment policies as outlined in Exhibit 2.

If demolition of residential units is proposed, the applicant must explain why such an approach is necessary. Structures eligible for listing on the National Register of Historic Places may only be demolished subject to completion of environmental review and approval. Structures built before 1978, which require rehabilitation or demolition, will require a budget for lead and asbestos testing and abatement.

1.14 Supportive or Enhanced Services

All housing developments would benefit from a coordinated services program that enhances the physical living environment provided by the project. If supportive or enhanced services are proposed, a supportive services plan and budget are required and will be evaluated as part of assessing the long-term viability of the project.

All projects seeking HACLA PBVs must submit a support services plan detailing the services to be provided to the target population, frequency of services, monitoring of clients participation in services and measurement of client successful completion of

services. The funding sources of the supportive services must be provided. The supportive service provider(s) must be identified and letters of commitment and/or contractual agreements with those agencies must be provided as well. The aforementioned items must be submitted under the HACLA Support Documents tab of the online application, or as attachments to the paper application.

Applicants of projects serving the chronically homeless will be required to collaborate with the County Departments participating in this NOFA to finalize the support services plan to serve this population. Applicants are encouraged to complete as much of the support services plan as possible and should indicate in it that they will collaborate with the County Departments on the final support services plan.

Please refer to the PBV NOFA at the HACLA website for details regarding the support service plan requirements.

1.14.1 Service Coordination for Support Services

Case management must include outreach and engagement with tenants. The following Case Manager-to-tenant ratios apply:

- No more than 15 units of chronically homeless
- No more than 30 units of homeless with special needs
- No more than 45 units of low income senior or other tenant populations

Project sponsors will be permitted to establish a Supportive Services Reserve in which funds from operating expenses are deposited into an account for the purposes of providing service coordination for the project's tenant population. Deposit amounts are as follows:

- \$4,000 per unit per year for the chronically homeless
- \$2,250 per unit per year for homeless with special needs
- \$100 per unit per year for low income senior and other tenant populations

Requests for disbursement must be submitted in writing and will be subject to SAHD approval. For projects serving the homeless, disbursements will be contingent upon adherence to a Supportive Services Plan that is in conformance with the Plan requirements outlined in the HACLA PBV NOFA.

Inflation for the annual service coordination fee (on the \$100, \$2,250, or \$4,000 per unit, per year base) may be indexed according to the Consumer Price Index-All Urban Consumers for the Los Angeles/Riverside/Orange County areas (CPI). The calculation will be based on the change in the CPI over the previous calendar year, expressed and rounded to the nearest whole number.

1.15 Notices To Developers Regarding Environmental Review

The National Environmental Policy Act (NEPA) was established in 1969 to give environmental values appropriate consideration in decision-making with regard to federally-funded projects. Because all projects funded under this NOFA assume federal funds, the environmental review process and clearance must meet the NEPA standards.

In addition, projects must meet the requirements of the California Environmental Quality Act (CEQA) and obtain CEQA clearance through the City of Los Angeles' Department of City Planning (Exhibit 3). NEPA and CEQA environmental laws differ in their requirements; project approval under CEQA does **not** constitute NEPA project approval, and vice-versa.

An initial award of funds does not constitute a commitment of funds or site approval until satisfactory completion of a NEPA environmental review and receipt by the City of Los Angeles of a Release of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The provision of any funds to the project is conditioned on the LAHD's determination to proceed with, modify or cancel the project based on the results of subsequent NEPA environmental review. Furthermore, the applicant shall not undertake or commit any funds to physical or choice-limiting actions, including further property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the NEPA environmental clearance. Violation of this provision may result in the denial of funds.

1.16 Other Public Benefit Requirements

1.16.1 Section 3 (Local Hiring); Minority Business Enterprises/Women Business Enterprises (MBE/WBE) Requirements

Applicants utilizing HUD funds must certify that the general contractor, subcontractors and/or service providers will comply with HUD Section 3 requirements to provide opportunities for employment to lower-income neighborhood residents in the City of Los Angeles. Further, to the greatest extent feasible, contracts in connection with these projects are to be awarded to local businesses. In addition, contractors, subcontractors and/or service providers will be expected to adhere to the City's Affirmative Action Requirements.

1.16.2 Article XXXIV Requirements

All projects, both new construction and rehabilitation, must be in compliance with Article XXXIV of the California State Constitution.

1.16.3 Assurances and Conditions Certification

The authorized signatory(s) for each applicant organization must read the Assurances and Conditions outlined below and submit a completed Assurances and Conditions Certification form (Item C3 on Checklist). By doing so, the

applicant acknowledges understanding of and agreement with the provisions that will be required at the time of contract negotiations.

1. **Affirmative Action:** The City's Administrative Code (Division 10, Chapter 1, Article 1, Section 10.8) establishes the Affirmative Action program for vendors doing business with the City. As a condition of contract award, grantees will be required to comply with the provisions of the City's Affirmative Action program, including submission of the City's Affirmative Action form with an Affirmative Action Plan.
2. **Insurance:** The chosen contractor(s) must provide evidence of minimum insurance coverage requirements.
3. **Service Contract Worker Retention Ordinance and the Living Wage Ordinance (SCWRO and LWO):** The chosen contractor(s) shall comply with all Los Angeles Administrative Code (LAAC) Sections 10.36 et seq., SCWRO and LWO. A Declaration of Compliance must be approved by the Department of Public Works, Office of Contract Compliance prior to contract execution.
4. **Equal Benefits Ordinance (EBO):** The chosen contractor(s) must be certified as complying with the Los Angeles Administrative Code Section 10.8.2.1, EBO, prior to the execution of any City Agreement. The EBO forms must be approved by the Department of Public Works, Office of Contract Compliance prior to contract execution.
5. **Certifications:** Applicant(s) shall provide copies of the following documents to the LAHD:
 - A. Certification Regarding Ineligibility, Suspension, and Debarment as required by Executive Order 12549.
 - B. Certification and Disclosure Regarding Lobbying. Contractor(s) shall also file a Disclosure Form at the end of each calendar quarter in which there occurs any event requiring disclosure or which materially affects the accuracy of the information contained in any Disclosure Form previously filed by the Contractor(s).
6. **Proof of IRS Number (W-9):** All contractors are required to complete and submit the Proof of IRS Number (W-9) Form.
7. **Slavery Disclosure Ordinance:** Unless otherwise exempt, in accordance with the provisions of the Slavery Disclosure Ordinance, any contract awarded pursuant to this RFQ will be subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code.

8. **MBE/WBE/OBE Subcontractor /Supplier Information:** The Contractor shall submit the MBE/WBE/OBE Form and comply with the City's Minority Business Enterprise (MBE), Women Business Enterprise (WBE), and other Business Enterprise (OBE) outreach requirements as appropriate.

1.17 Incentive Programs

1.17.1 This Section intentionally left blank

1.17.2 Lead-Based Paint Hazard Remediation Program

LAHD will continue to make available the Lead-Based Paint Hazard Remediation Program as an additional financial incentive. Projects submitted for funding may qualify to receive additional funds to finance the remediation of lead-based paint hazards (See Exhibit 6). Projects that meet the program's requirements may receive up to \$4,500 per unit (a maximum of \$225,000 per project) in additional funding. These funds would not be subject to the subsidy limits outlined in Section 1.9.

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**PART 2
THRESHOLD REQUIREMENTS**

For applications to be considered complete, all applicable items on the application checklist must be submitted. Proposed projects must meet the minimum LAHD NOFA threshold requirements for new construction and/or rehabilitation projects. If an application does not meet these threshold requirements, it will not be considered for funding. Determination of completeness and compliance with thresholds and scoring of the application shall be based entirely on the application and all documents submitted therewith as of the filing deadline. No additional documents shall be accepted subsequent to the application filing date.

2.1 Leveraging Source Application

In combination with the NOFA application, applicants must submit **two (2) complete applications with all applicable attachments** for one of the following leveraging sources, except for required third-party reports not otherwise required by this NOFA that will be outdated by the application deadline of the primary leveraging source:

- **9% Low Income Housing Tax credits**
- **HUD Section 202 with 4% tax credits; or**
- **Demonstration of Committed public or private sources**

Leveraging source applications must be submitted on compact discs. Failure to provide copies of the leveraging source application will result in the proposed project being rejected based on threshold criteria.

2.2 Organizational Documentation

2.2.1 Formation

Applications must identify ALL members of the Development Team. The following documents (as applicable), must be submitted:

1. An organizational chart of the proposed ownership structure, supported by all required organizational documents for each entity shown on the chart;
A current Business License issued by the City of Los Angeles;
A. WITH RESPECT TO A CORPORATION:
 - 1) Certificate of Good Standing issued by the Secretary of State, issued within six months prior to the NOFA application deadline
- 2) Articles of Incorporation
- 3) By-laws, which reflect as one of its purposes, the development and/or management of affordable housing
- 4) Current list of Board of Directors

- 5) A certified copy of a resolution of the Board of Directors, executed within 90 days of the NOFA application deadline. The resolution must include:
 - a. Authorization to participate in the NOFA
 - b. Authorization to enter into and execute any and all contractual obligations, including but not limited to the City of Los Angeles Land Use Regulatory Agreement, Loan Agreement, and other documentation, as may be required by the City of Los Angeles
 - c. Names and offices of the authorized signatories who may act on behalf of the corporation, based on the required categories below
- 6) If the borrowing entity is a not-for-profit corporation, a copy of its 501C(3) or (4) designation must also be submitted.

B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:

- 1) A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) recorded in public records
- 2) A full copy of the partnership agreement and any amendments
- 3) Satisfactory evidence of the consent of a majority in interest of the limited partners for the limited partnership to participate in the NOFA, and to enter into and execute any and all contractual obligations, including but not limited to the City of Los Angeles Land Use Regulatory Agreement, Loan Agreement, and other documentation, as may be required by the City

C. WITH RESPECT TO A LIMITED LIABILITY COMPANY:

- 1) A copy of its operating agreement and any amendments thereto
 - 2) A certified copy of its Articles of Organization (LLD-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of article of organization (LLC-10) recorded in public records
3. Sample signature block to be used in execution of loan documents entered into with LAHD

With respect to execution of any loan documents, pursuant to California Corporations Code §313 and *Smukal v. Flightways* (2000) 23 Cal. 4th 754), all documents executed or entered into by LAHD with a corporation should have the signature of an officer in each of the following two categories:

- A. Chairman of the Board, President, or any Vice-President; and,
- B. Secretary, any Assistant Secretary, Chief Financial Officer, or any Assistant Treasurer

2.2.2 Financial Statements

Financial statements for the last three years (Balance Sheet, Income Statements, Cash Flow Statements with notes) shall be submitted with the complete NOFA application and as applicable, subsequent Quarterly Statements.

2.3 Reports

2.3.1 Appraisals

All applicants that will be requesting LAHD funds for acquisition reimbursement must submit an AS IS appraisal prepared not more than six months prior to the date of the property's acquisition. If the property has not been purchased, applicants must submit an AS IS appraisal prepared not more than six months prior to the date of the purchase contract. The appraisal must be prepared by a California State Certified General Appraiser. In addition, the appraisal may not determine property value based solely on sales comparables of properties financed by public agencies. If a residential income approach is not utilized, applicants may submit either a separate market study completed within the last six (6) months, or the "Tenant Rent Comparability Matrix".

2.3.2 Phase I Environmental Assessment or Phase I with Required Phase II

Every application must include a Phase I Environmental Assessment, which must follow the standards outlined in American Standards of Testing and Materials (ASTM) 1527-05 to determine the potential presence of onsite and neighboring property contamination (including but not limited to lead-based paint, asbestos, and methane). The Environmental Assessment must have been completed within the six months prior to the date of the application deadline. If a project's Phase I Environmental Assessment indicates the need for further assessment, a Phase II report must be submitted. The applicant must include a cost estimate for any required remediation.

2.3.3 Lead/Asbestos

All rehabilitation projects and new construction projects that involve demolition of existing structures in advance of the rehabilitation or new construction, must submit an asbestos assessment and lead-based paint report completed within the twelve months prior to the date of the application deadline. For new construction projects where there is complete demolition of all existing structures, the applicant may submit a letter in-lieu of a lead test report indicating that the presence of lead is assumed and the appropriate federal, state, and local lead hazard abatement protocols will be followed. For occupied sites, assessment must include minimally invasive sampling of

readily accessible surfaces. Testing for asbestos shall be subject to AQMD standards. As it relates to lead-based paint, testing and compliance shall be consistent with those standards outlined in HUD's "Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing" (June 1995), including Chapter 7, Lead-Based Paint Inspection (1997 Revision), which are the industry standard. If the assessment determines that lead is present, (except for new construction with complete existing structure demolition as indicated above), a Lead Abatement Plan must be submitted.

2.3.4 Soils Report

All new construction projects must submit a soils report completed within the past twenty-four (24) months for the purpose of evaluating the geo-technical engineering characteristics of the on-site subsurface soils relative to the anticipated development. The report shall include the description of the field exploration and laboratory tests performed; evaluation of soil liquefaction potential; conclusions and recommendation relating to construction of the proposed residential development based upon the analyses of data from exploration and testing programs; and knowledge of the general and site-specific characteristics of the subsurface soils. Reports for sites occupied by structures must include subsurface investigations that are conducted in compliance with, and subject to, City of Los Angeles Department of Building and Safety standards.

2.3.5 Engineering Inspection (for all rehabilitation projects)

All rehabilitation projects must submit a property needs assessment report or an engineering inspection report completed within the past twelve (12) months from a qualified engineer or building inspector, to identify the remaining life of all major systems including, but not limited to, plumbing, electrical, HVAC, foundation and roof. The purpose of the aforementioned inspection is to reduce the likelihood of unforeseen conditions which could substantially change the cost and/or scope of work approved. Additionally, LAHD may require that a cost certification be prepared to determine if the cost and scope of work identified by the applicant coincides with that of the property inspector and engineering assessment. Should it be determined that the additional costs identified render the project infeasible, it will be the responsibility of the applicant to secure non-City funds for the identified costs. If the applicant is unable to do so, the commitment of City funds may be withdrawn. In order to score projects appropriately, any document submitted as proof of site control must permit access to the property for all inspections identified above. A code inspection will also be conducted by LAHD as part of its review process.

At-risk rehab projects should also include a work write-up, detailed specifications, schematic drawings, plot plan, floor plan, and cost estimate.

2.3.6 Environmental Checklist & Historic Preservation

The following items must be submitted with the NOFA application:

- Dated color photographs of the entire project site and all properties surrounding the project site. If there are buildings on the site, all sides of the building(s) shall be included
- A project description that includes information on whether the project area and environs contain any properties listed on the National Register of Historic Places, the State of California inventory of historic places, or local inventory of historic places
- Whether there are properties that appear to be historic within the boundaries or within a ½ mile radius of the project.

Applicants are strongly advised to submit this documentation separately, in advance of the application deadline, to allow for maximum available time to complete the environmental review prior to the leveraging source application submission deadline.

2.4 Community Support

Council Office Support

All applicants must submit a letter of support for commitment of City funds to the project from the Council Office(s) in which the project site(s) is/are located (Item F1 of the Application Checklist). The date of the letter must be within six (6) months prior to the application deadline date.

CRA/LA Letter of Acknowledgement and Support

Applicants are required to submit a CRA/LA Letter of Acknowledgment and Support for the proposed project (Item F2 of the Application Checklist). This letter is intended to ensure that the CRA/LA is aware of all potential projects within CRA Redevelopment Project Areas. Submission of the letter is a threshold requirement and must be dated within six (6) months of the application deadline date, and signed by the Chief Executive Officer, Chief Financial Officer, or Deputy Chief of Operations.

2.5 Site Control

At the time of application, the applicant must demonstrate that the property was acquired from the seller voluntarily and that the applicant has and will maintain control of the property for which a City loan is requested, through the period required by the identified leveraging source (TCAC, MHP, HUD). A current title report (no more than 90 days old) must accompany site control documents. Evidence of site control may be demonstrated by any of the following documents:

- Fee title as demonstrated by a current title report (within 90 days of this application date)
- Long-term leasehold interest (minimum term must equal the term of LAHD regulatory agreement)

- Option to purchase or lease (obtaining financing shall be the sole impediment to exercising the option)
- Executed land sale contract or other enforceable agreement for acquisition of the property
- An executed disposition and development agreement with a public agency (e.g., the Community Redevelopment Agency)

Because AHTF commitments assume the use of federal funds, each purchase option or purchase agreement submitted in fulfillment of this threshold requirement must contain an acknowledgement that even though government funds may be used in the acquisition of the property, the property will not be acquired through the use of eminent domain.

Regardless of whether relocation is involved, documentation regarding the voluntary acquisition of the property must be submitted as part of the AHTF application. Proof of voluntary acquisition shall consist of a Letter Regarding Voluntary Acquisition (Item E6 of Application Checklist). The letter shall be typed on the Developer's/Applicant's letterhead and addressed to the seller/previous property owner, stating that the Developer/Applicant is interested in acquiring the property for a proposed project that may receive funding assistance from HUD, but that the Developer/Applicant does not have the authority to acquire the property through eminent domain. The letter must also include the offer amount, which must be representative of the current market value.

If the property has already been acquired, a retroactive Letter Regarding Voluntary Acquisition is required, regardless of the length of time the developer has been in possession of the property. The developer must provide the LAHD with the written notice that was sent to the seller, evidence that the seller received it, and documentation regarding the method used to determine the fair market value. If the developer is unable to provide the letter at the time of NOFA application, a statement of assurance must be submitted with the application stating that all attempts will be made to meet the requirements prior to the issuance of an LAHD funding commitment.

For properties that were acquired via a ground lease from an agency with the powers of eminent domain, acquisition information from the agency will be required prior to loan closing.

2.6 Zoning and Land Use Compliance

The applicant must demonstrate to LAHD's satisfaction that the project as proposed will be able to meet all zoning and land use requirements prior to the issuance of an LAHD funding commitment. These include, but are not limited to, general plan amendments, rezonings and conditional use permits. At time of application, an Affordable Housing Referral Form must be submitted to LAHD, with project information completed by the project sponsor (Item E4 of the Application Checklist). LAHD will forward the form to the Los Angeles City Planning Department to verify whether the project as stated is appropriately zoned and in compliance with all zoning requirements and local land use ordinances. If a condition or requirement is pending, the project will be disqualified for violation of threshold criteria unless a public hearing is waived or scheduled prior to the

issuance of an LAHD funding commitment. For the purposes of the NOFA application, TCAC Attachment 18A (Local Development Impact Fees) and Attachment 26A (Local Approvals) signed by the Development Team's architect are acceptable.

2.7 Architecture and Design Use Criteria

All projects must submit a Direct Construction Cost Summary, "Schedule of Values" (Item G2 of the Application Checklist) for the proposed work. Applicants must provide written rationale that explains the project design, and at minimum, submit two (2) sets of 24" x 36" architectural plans with a diskette containing an electronic copy of the plans in PDF format. The written rationale should be consistent with the submitted design. For "non-structural rehabilitation projects", applicants must provide rehabilitation plans that indicate the proposed improvements to enable LAHD cost estimators to locate, quantify and confirm all proposed improvements (e.g., number of doors, windows and/or fixtures to be replaced; floor, wall and ceiling areas to be rehabilitated, indicating site work, if any, such as paved walkways, driveways, steps, landscape areas, low retaining walls to be added or replaced, etc).

2.8 Minimum Feasibility

All projects must demonstrate financial viability supported by a 15-year cash flow proforma which shows positive cash flow. Projects must use the respective underwriting criteria required by the identified leveraging source in combination with LAHD guidelines detailed in Part 4 of these regulations. Proformas submitted must be accompanied by funding commitments from the construction and permanent financing sources identified except the leveraging source proforma. Letters of commitment must also be submitted from the proposed deferred funding source.

2.9 Relocation

Applicants must adhere to all requirements outlined in Section 1.11.7 if the proposed site was occupied during the six months prior to or during purchase negotiations.

2.10 Defaults, Foreclosures and Citations

All applicants, including partners and principals, must disclose bankruptcies, defaults or foreclosures, conflicts of interest or any event which could lead to a potential bankruptcy, default or foreclosure or conflict of interest by completing and submitting the LAHD Credit Check Authorization (Item C11 on Application Checklist). For this purpose, violation of terms, conditions and/or covenants, whether or not a Notice of Default has been recorded, is deemed a default. Failure to disclose an actual or potential bankruptcy, default or foreclosure or conflict of interest will result in the rejection of the application and/or will be considered an event of default in LAHD's loan documents. All code violations and their remediation on existing projects must also be disclosed. Additionally, LAHD's commitment of funds may be withdrawn if any of the above-mentioned actions are discovered after the commitment is made.

If disclosure is made with respect to the above, the applicant must provide a complete explanation of the circumstances and current status. LAHD, in its sole discretion, will determine if the explanation is acceptable. An unacceptable history of delinquencies,

bankruptcies, defaults or foreclosures, or conflicts of interest are all, singularly or in combination, grounds for rejection of the application.

2.11 Failure to Comply with Davis-Bacon

Applicants who have repeatedly attempted to avoid the payment of Davis-Bacon and/or State Prevailing wages, or who have been referred to the Department of Labor, the Department of Housing and Urban Development, the California Labor Commission or any other enforcement agency, may be disqualified. Additionally, any project that does not submit construction costs at the applicable Davis-Bacon/State Prevailing wage rates may also be disqualified. An applicant must submit written certification that they will comply with Davis Bacon or State Prevailing Wage requirements (Item G8 of the Application Checklist).

2.12 LAHD Business Policy

LAHD has worked with a substantial number of developers over the years to create affordable housing. However, in some cases, developers exceeded their capacity to complete projects that have received City funding commitments. In response, LAHD received approval from the Mayor and City Council to adopt the Department's Business Policy. The Business Policy provides direction concerning specific collection steps and renders applicants and their related partnerships ineligible for City assistance if in non-compliance with loan agreements or other contract(s) with the City. Non-compliance includes but is not limited to any monetary or non-monetary compliance issues, such as failure to submit payments when due, failure to submit required financial statements in a timely manner, failure to submit documents verifying adherence to rent regulatory agreements when required, failure to comply with the requirements of any rent regulatory agreement or covenant, and failure to correct any building deficiency noted by any governmental agency in a timely manner. An application is deemed ineligible to compete for funding if any member of the applicant's ownership entity has an interest in a current project or projects that are in monetary or non-monetary default. Rehabilitation projects involving properties placed into LAHD's Rent Escrow Account Program (REAP) under the current ownership and remaining out of compliance at the time of application are also ineligible to compete for funding.

In accordance with the LAHD Business Policy, the applicant must provide at the time of NOFA application a list of ALL residential income properties located within Los Angeles City limits that the applicant and the applicant's partners and/or principals have (or previously had) a vested interest in, including all properties currently or previously owned by any of the aforementioned parties, regardless of funding source (Item C13 on the Application Checklist). The list must be submitted in Microsoft Excel format. In addition, a complete and accurate list of the names of all persons and entities who are partners or principals in the project, including the name(s) of the applicant(s), must be provided (Item C14 of the Application Checklist).

LAHD will conduct a background check based on the information provided to determine if any outstanding financial statements, residual receipts payments, Rent Registration or Code (SCEP) fees are due, if there are unpaid property taxes, lapsed insurance or

outstanding cited habitability violations, and/or if the property is in any of the City's compliance programs due to unabated habitability violations (i.e., REAP). Failure to disclose all applicable properties may result in disqualification of the application.

2.13 Contracts

Copies of all contracts entered into as part of the development of the proposed project must be submitted as part of the NOFA application and are subject to LAHD approval.

2.14 Untenable and Substandard Units

The "Applicant(s)/Borrower(s) Certification Statement" (Item C12 on Application Checklist), requires that the applicant list all residential income properties when the following are true: 1) the properties are owned by the applicant, 2) the properties are owned by any of the applicants' partners, or 3) the properties are those in which any of the applicants' principals have a vested interest in them. If one of these properties has substandard or untenable units, the application will not be reviewed or eligible for funding until the deficiencies are cured. If deficiencies are not resolved, the application will be denied for failure to meet threshold criteria.

2.15 Property Management Plan

At the time of application, applicants must submit a property management plan (Item G9 of the Application Checklist). This information will be used in the proposal evaluation process. Before LAHD will commit to funding any loan for a project selected through the NOFA process, the developer must also submit the qualifications of its management entity.

2.16 At-Risk Criteria

Preservation projects must complete the Self-Score Worksheet for At-Risk Projects (Item J6 of the Application Checklist) and submit it with the application. Each preservation project must receive a minimum point score of 75 on the Self-Score Worksheet, as determined by LAHD staff in accordance with the At-Risk Assessment Criteria (Exhibit

PART 3 SELECTION CRITERIA

Each application will be evaluated and scored according to the criteria established by the respective leveraging source that has been identified by the applicant. As such, applications should be structured utilizing the most recent selection criteria established by the leveraging source. TCAC projects must score the minimum number of points according to TCAC's Sustainable Building Methods criteria as outlined in the Architectural Guidelines (See Exhibit 2).

In addition to the selection criteria of the proposed primary funding source, LAHD will also consider the following factors during its final ranking and selection. Please note that proposed projects that do not satisfy this NOFA's threshold requirements will not be evaluated.

3.1 Project Feasibility

This category will determine whether the project, as proposed, is financially feasible and demonstrates long-term viability as an affordable housing project. Projects must use the underwriting criteria required by the identified leveraging source, in combination with LAHD guidelines detailed in Part 4 of these Regulations.

3.1.1 Assessment of Cost and Contractor's Cost Certification

The reasonableness of the estimated development costs will be analyzed in relation to the type and size of the development. LAHD staff and consultants will perform a detailed underwriting and cost estimating review of the submitted costs. Applicants must include comprehensive notes and assumptions with financial exhibits and detailed construction cost estimates in order for LAHD staff to perform an adequate and fair review of development costs.

Cost certification is required of all owners and all general contractors. Implementing the cost certification process for general contractors will create greater transparency and accountability of the resources available to the affordable housing development community.

Direct Construction Cost Summary, "Schedule of Values" (Item G2 of the Application Checklist) – A construction cost breakdown must be prepared using the standard Construction Specification Institute (CSI) Division format for building components. Prices for labor must take into consideration the applicable wages (e.g., Davis-Bacon or other). Where there is an identity of interest relationship between the general contractor and/or the owner and a subcontractor as defined in Section 4.6, LAHD will require a cost certification of the subcontractor. Any overhead, profit and general requirement fees paid to that subcontractor will be added to the general contractor's overhead, profit and general requirements and limited to the percentages allowable in this NOFA. In these instances, the general contractor must provide to a third party Accountant:

- Copy of construction contract and any change orders

- Listing of all subcontractors utilized on the job, with amounts paid and to be paid
- Listing of all “other costs/fees” paid and/or incurred for the project by the contractor

The Accountant shall select at least five other subcontractors at random or by a sampling method, and verify the amounts paid to each subcontractor by reviewing check copies, contract documents, change orders, and other supporting information to verify amounts included within the cost certification for each subcontractor selected.

Coverage should be at least 40% of total cost incurred on the construction contract. If not the Accountant shall select additional subcontractors and perform procedures above until the 40% requirement is exceeded.

The Accountant shall perform a comparison of actual costs to the amount budgeted at time of application and obtain explanations for significant variances.

The Contractor’s Cost Certification forms must be accompanied by the unqualified opinion of the Accountant.

Builder overhead, profit and general conditions requirements are limited to 14% of the construction cost. Construction contingency allowances must be allocated outside the proposed construction contract amount, and should be between 5% and 10% of the total construction costs for new construction and between 10% and 15% for rehabilitation projects.

For proper evaluation of construction costs, it is recommended that the developer submit A/E information that impacts construction cost. This may include but is not limited to:

3.1.1.2 Assessment of Long-Term Viability

All projects must demonstrate viability supported by a 15-year cash flow proforma which shows positive cash flow. The reasonableness of the operating expenses, reserves, and overall assumptions will be analyzed in relation to the type and size of the development. Operating subsidies reflected in the proforma must be supported by commitments which can reasonably be relied upon. The marketability of the project, in terms of how suitable the proposed rents are relative to the market, will also be taken into account in assessing long-term viability.

3.2 Architectural Design Review

At minimum, a Conceptual Design Submittal package is required with the application. For additional information regarding Architectural Design Review and submittal requirements, refer to Exhibit 2. All proposed projects will be evaluated on design issues related to site planning, common spaces/circulation and unit layout.

- New construction projects will be evaluated on design issues such as neighborhood compatibility, site amenities, circulation, crime prevention, aesthetics, interior spatial relationships, landscaping, design efficiency, unit/room layout and energy efficiency.
- Rehabilitation projects will be evaluated on design issues such as neighborhood improvement, site amenities, circulation, crime prevention, aesthetics, internal spatial relationships, landscaping, design efficiency and energy efficiency.

3.3 Negative Points

Applicants who receive an AHTF commitment and fail to apply for the primary leveraging source as required under this NOFA will have their LAHD commitment revoked. Additionally, the applicant may be assessed a point penalty in any subsequent loan application made to the LAHD. Unless it can be demonstrated to the satisfaction of LAHD that the circumstances were entirely outside of the applicant's control, the General Manager may exercise his/her discretion in deducting up to 10 points from an applicant's score for the next application submitted by the general partners, co-developers, development consultants or any member of the identified development team found to be in noncompliance.

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PART 4
UNDERWRITING GUIDELINES

4.1 Replacement Reserve

A minimum replacement reserve of \$300 dollars per unit, per year shall be set for all unit types, except senior units, which will be set at \$250 per unit, per year. However, if TCAC, MHP or HUD should adopt regulations that differ, the LAHD will have the authority to re-underwrite the project prior to the closing of the loan, in order to be consistent with the identified primary leveraging source.

4.2 Operating Reserve

The operating reserve shall be established and capitalized up front with an amount equal to three (3) months of operating expenses and hard debt service. This amount must appear in the proforma development budget at the time of submission of the application and at loan closing. The actual operating reserve account must be established and fully funded within 120 days of completion of construction. However, if TCAC, MHP or HUD should adopt regulations that differ, LAHD will have the authority to re-underwrite the project prior to the closing of the loan, in order to be consistent with the identified primary leveraging source.

4.3 Debt Coverage Ratio

The Debt Coverage Ratio for the first year shall not be less than 1.15:1 or greater than 1.20:1, except where the applicable leveraging source regulations state otherwise. A ratio of at least 1.15:1 is required for the full projection period.

4.4 Maximization of Developer Fee

The maximum developer fee allowed by the identified leveraging source may be included in project costs. The maximum developer fee that may be eligible for payment from construction or permanent financing sources shall be one million, four hundred thousand dollars (\$1,400,000), with any unpaid developer fee balance to be paid from annual, excess cash available following the payment of all project operating costs, debt service, reserve deposits and administrative fees. However, no developer fee may be disbursed from any source without the approval of LAHD.

The recapture of the deferred developer's fee will be 15 years. Interest on deferred fees should be payable from the developer's share of residual receipts.

4.5 Consulting Fees

Consulting fees must not exceed \$100,000 and should be dependent upon the size and complexity of the project. Specific consulting services include: preparation of tax credit applications; preparation of LAHD applications and other public agency applications; preparation of applications for conventional financing, as well as provision of general development services such as the selection and coordination of the development team; loan documentation; and, processing local approvals and entitlements. Fees required for construction management are not included in this category.

If the developer performs development services for the project which could be contracted to a consultant (e.g., preparation of a Tax Credit application, obtaining entitlements), the developer is entitled to assign the consulting fees to its own organization. Applicants may not make side agreements with consultants which increase the consulting fees beyond the amount shown on the consulting line item. All consultant contracts and fees charged by the developer (in excess of the development fee) to provide services to the project shall be reviewed and approved by LAHD for cost reasonableness.

4.6 Identities of Interest

An applicant must provide identification of any persons or entities (including affiliated entities) that plan to provide development or operational services to the proposed project in more than one capacity, and full disclosure of related parties, as defined.

Related party is defined to include:

- The brothers, sisters, spouse, ancestors, and direct descendants of a person;
- A person and corporation where that person owns more than 50% in value of the outstanding stock of that corporation;
- Two or more corporations that are connected through stock ownership with a common parent with stock possessing:
 - at least 50% of the total combined voting power of all classes that can vote, or
 - at least 50% of the total value of shares of all classes of stock of each of the corporations, or
 - at least 50% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, stock owned directly by that other corporation, in computing voting power or value;
- A grantor and fiduciary of any trust;
- A fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
- A fiduciary of a trust and a beneficiary of that trust;
- A fiduciary of a trust and a corporation where more than 50% in value of the outstanding stock is owned by or for the trust or by or for a person who is a grantor of the trust;
- A person or organization and an organization that is tax-exempt under Subsection 501(c)(3) of the Internal Revenue Code and that is affiliated with or controlled by that person or the person's family members or by that organization;
- A corporation and a partnership or joint venture if the same persons own more than:
 - 50% in value of the outstanding stock of the corporation; and
 - 50% of the capital interest, or the profits' interest, in the partnership or joint venture;

4.7 Amendment and Modification Fees

LAHD will impose a \$2,500 fee to cover costs associated with modifications and amendments when they are requested at the behest of the applicant.

PART 5
APPLICATION PROCESS AND REQUIREMENTS

5.1 General Rules

The following general rules will apply to all applications submitted under the Affordable Housing Trust Fund:

1. This NOFA is open for rental housing projects which *intend to apply* in the next available round to TCAC, MHP or CDLAC. Therefore, the AHTF application must be submitted to LAHD with the corresponding primary leveraging source application. As such, developers must select only one primary leveraging source and provide only one financing structure for that option.
2. All applications must be received by the required date for each established round (See Timeline on page 4). Applicants are encouraged to submit their projects as early as possible.
3. Incomplete applications will not be considered for funding. It is the responsibility of the applicant to ensure completeness of their submittal.
4. Staff will begin reviewing and writing proposals as soon as they are received.
5. Applicants will be subject to a background check to ensure compliance with LAHD Business Policy.
6. (DO WE NEED TO INCLUDE THIS?) The following documentation relevant to the proposed project must be submitted with all applications. The completion of all applicable parts of the LAHD-supplied application is required, which includes, but is not limited to:
 - Funding Round;
 - Leveraging source;
 - Applicant information including: applicant name; address; contact person; Federal Tax I.D. Number; City of Los Angeles Business License Number; borrowing entity; indication if CHDO or non-CHDO;
 - Development Team information including: developer name; phone number; fax number; Federal Tax I.D. Number; City of Los Angeles Business License Number;
 - Project characteristics including: project name; site address; site assessor's parcel number; Council District Number; census tract number; Federal Congressional District Number; State Assembly District Number; State Senate District Number; indication if the site is in a recognized Neighborhood Revitalization area; site dimensions; current zoning; labeled photographs of the subject property and all adjacent properties;

- Project Type including: type of LAHD incentive programs to which the project will be applying; number or type of units; and, relocation requirements;
- Sources of financing including interim financing and permanent financing;
- Requested subsidy amount including: maximum allowable subsidy per unit; total LAHD loan requested; total LAHD Gap requested per unit; and total subsidy leverage percentage;
- Uses of funds;
- Narrative description of proposed project;
- All applicable supporting documents

5.2 Application Scoring

This is a competitive NOFA, and project applications will be scored and ranked according to the evaluation criteria set forth by the respective leveraging source and in combination with the criteria set forth below.

Projects will be ranked according to the lowest ratio of calculated gap financing relative to the maximum eligible loan amount, including all eligible boosts.

For each project category listed below, LAHD funding commitments will not exceed the amount within each leveraging source's funding or credit ceiling.

Projects will be given priority in the following order:

1. Projects that intend to compete in the TCAC Non-Profit/Homeless or SRO Set-Asides, or projects with other sources of Homeless funding, such as MHP Supportive or Homeless Youth, will be ranked equally under the above criteria. These projects will be funded until all LAHD homeless set-aside funds are exhausted.
2. Projects competing in the TCAC At-Risk set-aside and other At-risk projects will compete against each other.
3. All other projects that intend to compete in the TCAC Los Angeles County Geographic Apportionment.
4. Projects with commitments from sources not listed in Section 1.8 will be ranked together with the above applications only if proposed affordability levels are similar. Projects with higher proposed average affordability levels will be given lower priority.

To assure maximum competitiveness of applications, subsidies for 9% tax credit projects will be based on the amount necessary to achieve an apparent TCAC tie breaker that can reasonably be perceived to be successfully in the next funding round.

5.3 Application Submittal and Review

Applicants must use forms provided or approved by LAHD. Application forms must not be modified.

Online Submissions

Applicants are strongly encouraged to submit proposals using the online application. The application deadline for online submissions is midnight, January 12, 2012.

Hard Copy Submissions – 2012 Round 1 only

If submitting a hard copy, a complete AHTF original paper application and one (1) electronic copy on cd must be received by LAHD no later than 4:00 P.M. on January 12, 2012.

For both online and hard copy submissions, two hard copy full-size sets of architectural plans and two copies of the leveraging source application on separate cds, is due within one week of the application deadline, or no later than 4:00 p.m. on January 19, 2012.

Applications received after the application-filing deadline will not be accepted for processing and will be returned unopened. Applications submitted through facsimiles or email will not be accepted.

Applications must be delivered to:

Los Angeles Housing Department
Affordable Housing Trust Fund
Attention: Jim Elliott, Manager
c/o LAHD Public Center
1200 W. 7 th Street, 1 st Floor
Los Angeles, CA 90017
Telephone: (310) 800-5596

Applications shall be accepted only at the location specified above. Applications delivered to locations other than those mentioned above shall not be considered for funding.

5.4 Appeal Process

Applicants who are unsuccessful may appeal LAHD's recommendations. LAHD will establish and implement an appeal process which incorporates outside panelists with experience in multi-family housing development. Specifically, LAHD will entrust the panelist with reviewing the AHTF scoring methodology for consistency and applicability with the TCAC's criteria. The panel will have the authority to overturn LAHD's recommendation with a simple majority vote. In the event of a tie, the General Manager of the LAHD will cast the deciding vote.

5.5 City Council Approval Process

Final score and ranking recommendations will be reviewed by the Mayor's Office, City Administrative Officer, the Chief Legislative Analyst, the Housing, Community, and Economic Development Committee of the City Council, and the full City Council. Once the recommendations are adopted by the City Council, the Mayor's Office will give its final concurrence.

5.6 Release of Funds

Due to the contingent nature of commitments made by LAHD through the AHTF, loan agreements will not be executed until all funding is in place or reasonably expected. However, in no event will LAHD be required to execute a loan agreement if after the specified funding cycles have elapsed, a funding gap exists for any reason, including cost increases, the withdrawal or reduction of a previous commitment, or deferred costs or fees.

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**AFFORDABLE HOUSING TRUST FUND
and
PERMANENT SUPPORTIVE HOUSING PROGRAM**

SUMMARY OF ACTIVITY – 2003 through 2011 Round 2**

AHTF AND PSHP COMBINED TOTAL					
Projects	Units	Amount Committed*	Amount Leveraged*	Total Dev. Cost	Leverage Ratio (dollars)
168	10,125	\$581,309,161	\$2,546,039,019	\$3,127,348,180	\$4.38

AFFORDABLE HOUSING TRUST FUND (AHTF)						
	Projects	Units	Amount Committed	Amount Leveraged*	Total Development Cost	Leverage Ratio (dollars)
Total:	142	8,510	\$469,774,727	\$2,080,175,786	\$2,549,950,513	\$4.43

PERMANENT SUPPORTIVE HOUSING PROGRAM (PSHP)									
	Projects	Total Units	PBV Units*	PBV Value*	Capital Committed	Total Commitment (Capital & PBV*)	Total Dev. Cost	Amount Leveraged**	Leverage Ratio (dollars)
Total:	26	1,615	1,184	\$159,739,450	\$111,534,434	\$271,273,884	\$465,863,233	\$354,328,799	\$3.18

*Total amounts leveraged are for Capital funds only. The PBV indirectly leverages social service funds that are secured as the project is constructed.

**Excludes totals for four 2010 Round 2 projects that were converted from 9% tax credit to 4% tax credit/tax-exempt bond projects

11/9/11