

HOUSING COMMITTEE REPORT relative to authorization to approve and release the Affordable Housing Managed Pipeline (AHMP) Regulations and open the 2018 AHMP Call For Projects.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, Los Angeles Housing and Community Investment Department (HCIDLA), or designee, to:
 - a. Adopt and release the 2017 AHMP Regulations, as amended per the February 27, 2018 City Administrative Officer (CAO) report, attached to the Council file, and detailed in Attachment C of the February 16, 2018 HCIDLA report, attached to the Council file.
 - b. Implement an allocation schedule after solicitation of applications that will include authority to conduct up to two funding rounds for the AHMP Call for Projects (CFP) with all funding rounds to coincide with applicable funding cycles for federal, state, and/or local multifamily housing development programs.
 - c. Solicit AHMP applications for the 2018 CFP for future funding rounds based on availability of funds which will be requested in the Fiscal Year 2018-19 Consolidated Plan and City Budget with applications received in those funding rounds to be reviewed by the HCIDLA; and, recommendations to be submitted to the Mayor and City Council for consideration and approval.
 - d. Issue a funding Commitment Letter for each applicable project identified in Table 1 of the February 16, 2018 HCIDLA report, attached to the Council file, subject to the following conditions:
 - i. The final funding commitment will not exceed the amount listed
 - ii. The project sponsor must apply to the California Tax Credit Allocation Committee (CTCAC) in the next available Low Income Housing Tax Credit (LIHTC) allocation round.
 - iii. The disbursement of HCIDLA funds will occur only after the sponsor obtains enforceable commitments for all proposed funding.
 - iv. Issue a LIHTC Letter of Support for each applicable project identified in Table 1 of the February 16, 2018 HCIDLA report, attached to the Council file.
 - e. Negotiate and execute acquisition, predevelopment, construction, permanent loan agreements with the legal owner of each project identified in Table 1 of the February 16, 2018 HCIDLA report, attached to the Council file, that receives an award from the proposed leveraging source, subject to the satisfaction of all conditions and criteria contained in the HCIDLA Pipeline application, this transmittal, and the HCIDLA Award Letter (if applicable), subject to review and approval of the City Attorney as to

form.

- f. Execute Subordination Agreements for each of the projects identified in Table 1 of the February 16, 2018 HCIDLA report, attached to the Council file, wherein the City Loan and Regulatory Agreements are subordinated to their respective conventional or municipally funded construction and permanent loans, as required.
- g. Allow the transfer of the City's financial commitment to a limited partnership or other legal entity formed solely for the purpose of owning and operating the project in accordance with City and Federal requirements.

2. AUTHORIZE the Controller to:

- a. Establish and appropriate a new account within HOME Fund No. 561/43 as follows:

<u>Account Title</u>	<u>Amount</u>
43P007 Affordable Housing Trust Fund- PY	\$1,490,837.17

- b. Decrease appropriations within HOME Fund No. 561/43 as follows:

<u>Account Title</u>	<u>Amount</u>
43K143 Housing and Community Investment	\$1,309.91
43L143 Housing and Community Investment	324,656.46
43L299 Reimbursement of General Funds	349,001.00
43M299 Related Costs	<u>815,869.80</u>
	\$1,490,837.17

- c. De-obligate and obligate the Pipeline projects as follows:

	<u>Fund</u>	<u>Account</u>	<u>Amount</u>
De-obligate			
Hartford Villas	569/43	43N372	\$1,640,000.00
Hartford Villas	561/43	43N008	<u>4,774,265.00</u>
		Total:	\$6,414,265.00

Obligate			
Florence Mills	561/43	43N008	\$1,770,481.00
	561/43	43P007	1,490,837.17
	561/43	43P008	4,635,281.83
Flor 401 Lofts	561/43	43N008	1,001,892.00
McCadden Youth Housing	561/43	43N008	<u>500,000.00</u>
		Total:	\$9,398,492.00

3. AUTHORIZE the General Manager, HCIDLA, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with Mayor and City Council action on this matter, subject to approval of the City Administrative Officer; and, AUTHORIZE the Controller to implement the instructions.

Fiscal Impact Statement Submitted: The CAO reports that there is no impact to the General Fund. The recommendations detailed above are in compliance with the City's Financial Policies in that Affordable Housing Managed Pipeline commitments are fully funded by the HOME Investment Partnership Program funds, Housing Opportunities for Persons with HIV/AIDS funds, or the Proposition HHH Permanent Supportive Housing Loan Program bond proceeds.

Community Impact Statement: None submitted.

Summary:

On April 11, 2018, your Committee considered February 16, 2018 HCIDLA and February 27, 2018 CAO reports relative to authorization to approve and release the AHMP Regulations and open the 2018 AHMP Call For Projects. According to the HCIDLA, the City's AHMP was established by Mayor and Council in June 2013. The HCIDLA Affordable Housing Managed Pipeline process authorizes HCIDLA to issue a bi-annual Call for Projects (CFP) to enable open competition of new projects selected for the HCIDLA Pipeline on an ongoing basis (Council File No. 13-0824). One of the most important features of the AHMP is the ability to leverage and attract the investment dollars of other public and private entities for the development of affordable housing within the City. To date, the AHMP has leveraged a total of approximately \$900 million in public and private funds, which represents a leverage ratio of approximately \$5.74 for every \$1.00 invested by the AHMP.

The HCIDLA issued its most recent Call for Projects in September 2016 and the HCIDLA Pipeline currently consists of 55 total projects: 16 projects are in the predevelopment stage, 20 projects are fully funded and under construction, and 19 projects have completed construction. The HCIDLA continues to manage and ensure that affordable housing developments in the Pipeline are in alignment with available federal, state, and/or local multifamily housing development funding programs and sources. The HCIDLA's collaborative, forward-thinking and measured approach has proven successful in securing funding that balances the Pipeline with outside funding availability, leaving no project left without permanent financing. Consistent with this approach, HCIDLA has analyzed the near-future affordable housing financial landscape and has identified four major sources of funding that Pipeline projects must be aligned to compete for:

- a. HCIDLA Funding Sources: The AHMP is currently funded primarily with the City's allocation of HOME funds. Each year the City receives approximately \$19 million in HOME entitlement funds, which are allocated to the AHMP, as well as, annual program income receipts, which vary from year to year. HCIDLA issues commitments to projects in the AHMP Pipeline subject to funding availability, and only when a firm commitment of City funds is necessary to secure LIHTC or other leveraged funding resources.
- b. 9 per cent LIHTC City of Los Angeles Geographic Region: The CTCAC receives an annual allocation of LIHTC from the U.S. Department of the Treasury. CTCAC

then distributes the annual allocation through two funding cycles. In 2018, CTCAC is expected to allocate approximately \$10 million in annual LIHTC to the Los Angeles Geographic Region. Based on current market pricing for LIHTC, this allocation will generate approximately \$95 million in equity to support affordable housing development in the city. CTCAC also allocates 19 percent of its annual allocation to three Set-Asides besides Geographic Apportionments. In 2017, the annual allocation of LIHTC distributed through the Set-Asides is expected to be \$17.7 million. Although Los Angeles Geographic Region AHMP Pipeline projects do not have to compete with other projects, AHMP Pipeline projects are required to compete for an allocation in the Statewide Set-AHMP Pipeline Regulations and 2018 Round 1 Recommendations Page 5 Asides. The most competitive projects seek the least amount of LIHTC in comparison to their total development costs.

- c. California Strategic Growth Council's Affordable Housing and Sustainable Communities (AHSC) Program: The AHSC Program, or commonly referred to as the "Cap and Trade" Program, provides funding through loans and/or grants for projects that will achieve reduction in Green House Gas emissions and benefit disadvantaged communities by increasing accessibility to housing, employment centers and key destinations through low-carbon transportation options (walking, biking and transit), resulting in fewer Vehicle Miles Traveled. The HCIDLA seeks to leverage HCIDLA funding with this AHSC program. The State announced the release of the 3rd round Notice of Funding Availability of approximately \$255 million for the AHSC Program. The deadline to submit AHSC applications is no later than January 16, 2018.
- d. Veterans Housing and Homeless Prevention Bond Act of 2014 (Proposition 41): Proceeds from Proposition 41 may be used for the acquisition, construction, rehabilitation, and preservation of affordable multifamily transitional housing, or related facilities, for veterans and their families. Proposition 41 specifically focuses on homeless veterans or those veterans at risk of homelessness. California Housing and Community Development (HCD) has not released a deadline for the upcoming application, however, HCIDLA staff will continue to coordinate application submittals in order to further leverage the HCIDLA funds.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the February 27, 2018 CAO report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE



MEMBER	VOTE
CEDILLO:	YES
KREKORIAN:	YES

HARRIS-DAWSON: YES

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4/11/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-