

# TRANSMITTAL

To:

**THE COUNCIL**

Date:

DEC 02 2013

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



**ERIC GARCETTI**

Mayor



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Eric Garcetti, Mayor  
Mercedes M. Márquez, General Manager

November 25, 2013

Council File: C.F. # 13-0303  
Council District: Citywide  
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Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall  
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Los Angeles, CA 90012

Attention: Mandy Morales  
Legislative Coordinator

OFFICE OF THE CLERK  
CITY OF LOS ANGELES  
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CITY OF LOS ANGELES

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) REQUESTS ADOPTION OF THE INITIAL AFFORDABLE HOUSING MANAGED PIPELINE; APPROVAL TO ISSUE LETTERS OF COMMITMENT FOR SELECTED PROJECTS; AND VARIOUS ACTIONS RELATED TO THE AFFORDABLE HOUSING TRUST FUND (AHTF)**

**SUMMARY:**

**Affordable Housing Managed Pipeline - Initial Call for Projects**

On June 28, 2013, the City Council adopted the Affordable Housing Managed Pipeline process and authorized a bi-annual Call for Projects beginning with the 2013 Initial Call for Projects (C.F. 13-0824). On July 12, 2013, HCIDLA released the Managed Pipeline Regulations and Initial Call for Projects, soliciting permanent supportive and affordable housing proposals from project sponsors intending to apply to the California Tax Credit Allocation Committee (CTCAC) in the Special Needs Set-Aside, Non-Profit Set-Aside, At-Risk Set-Aside and the Los Angeles City Geographic Region.

HCIDLA received and reviewed 41 proposals in accordance with Mayor and City Council-approved Affordable Housing Managed Pipeline policies to produce the list of 19 projects being recommended for admittance into the Affordable Housing Managed Pipeline, as detailed in Tables One through Three of this report. The total number of projects admitted into the Affordable Housing Managed Pipeline fell short of the projected number of 24 due in part to an insufficient number of qualifying special needs and homeless applications. Because of this, HCIDLA plans to open a Call for Projects in December 2013, as detailed in the Background section of this report.

HCIDLA requests Mayor and City Council approval to admit 19 projects into the Affordable Housing Managed Pipeline, and issue Affordable Housing Trust Fund (AHTF) financial commitments to a total of three projects: two 9% Low Income Housing Tax Credit (LIHTC) projects and one project proposing 4% LIHTC with tax-exempt bonds. The three projects recommended for AHTF financial commitments applied to the Los Angeles Community Development Commission (LACDC) for capital funding and/or operating subsidies for units serving Special Needs populations. The LACDC application deadline was November 20, 2013, but the LACDC has agreed to accept HCIDLA recommendation letters in the interim, contingent upon the condition that HCIDLA issue firm commitments prior to LACDC's announcement of funding awards on January 14, 2014.

It is anticipated that the 9% LIHTC projects will apply to the CTCAC in 2014 and 2015. Upon Mayor and City Council approval, HCIDLA will enter into an Exclusive Negotiation Agreement (ENA) with each of the project sponsors (if needed).

A summary of the applications received and recommended is included as Attachment One, staff reports for each project recommended to receive an AHTF commitment are included as Attachment Two, and a summary of AHTF financial activity is provided as Attachment Three.

#### **Various Actions**

In addition to the Affordable Housing Managed Pipeline actions, HCIDLA also requests the following approvals: 1) appropriation and expenditure authority in the total amount of \$8,172,321 for the former CRA/LA assets listed under 3B of the Recommendations section of this report; and, 2) replacement of Los Angeles Department of Water and Power (LADWP) Permanent Supportive Housing Program (PSHP) funds with various funding sources for three projects with pending draw requests on their PSHP commitments.

#### **RECOMMENDATIONS:**

The HCIDLA General Manager respectfully requests that:

1. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter;
2. The City Council, subject to the approval of the Mayor, authorize the HCIDLA General Manager or designee to:
  - A. Adopt the projects in Tables One through Three as the Initial Affordable Housing Managed Pipeline;

- B. Issue a 9% Tax Credit Recommendation Letter and/or Financial Commitment for each of the projects identified in Tables One through Three below, subject to the following conditions: 1) that the final AHTF financial commitment may be lower than but in no case will exceed the amount listed; 2) that the project sponsor will apply to CTCAC in the allocation round authorized by HCIDLA; and, 3) that disbursement of AHTF funds will take place after the sponsor obtains the full amount of funding and/or tax credits proposed.

**TABLE ONE – 9% LIHTC SPECIAL NEEDS/HOMELESS PROJECTS  
 RECOMMENDED FOR AHTF COMMITMENTS**

Tax Credit Category and Project Name	CD	Units	Housing Type	AHTF Award	9% LIHTC Requested
<b>Special Needs/SRO Set-Aside - Tax Credits Available Statewide: \$6,538,212</b>					
Marmion Way Apartments	1	49	Veteran & Family	\$0	\$1,282,442
PATH Metro Villas	13	72	Homeless	N/A**	1,163,200
South West View*	10	64	Veteran & Senior	2,600,000	1,600,766
<b>Special Needs Total</b>		<b>185</b>		<b>\$2,600,000</b>	<b>\$4,046,408</b>
Arlington Square	10	48	Homeless	N/A**	\$1,066,033
The Campus at LA Family Hsg.	6	50	Single & Family	N/A**	817,644
Gateway Apartments*	11	21	Formerly Homeless	1,071,262	628,735
Rampart Apartments	13	23	Homeless Senior	0	611,769
West Villas	8	49	Veteran	N/A**	918,450
<b>Non-Profit Homeless Total</b>		<b>191</b>		<b>\$1,071,262</b>	<b>\$4,042,631</b>

**TABLE TWO - 9% LIHTC AFFORDABLE HOUSING PROJECTS  
 RECOMMENDED FOR AHTF COMMITMENTS AND/OR  
 TAX CREDITS FROM THE LOS ANGELES GEOGRAPHIC REGION**

Project Name	CD	Units	Housing Type	AHTF Award	9% LIHTC Requested
<b>Estimated Tax Credits Available - Two-Year Allocation: \$15,056,903***</b>					
Coronel Apartments	13	54	Family	\$0	\$1,178,880
Florence Mills	9	58	Family	N/A**	2,093,216
Highland Park Transit Village	1	60	Family	0	2,019,798
LDK Senior Apartments	4	67	Senior	0	1,726,893

Norwood Learning Village	1	29	Family	N/A**	844,951
Paloma Terrace	9	59	Family	0	1,710,954
The Paseo at Californian	1	52	Family	0	1,489,325
Selma Community Hsg.	13	66	Family	0	1,892,212
Taylor Yard Senior Hsg.	1	108	Senior	0	2,499,750
<b>LA Geographic Region Total</b>		<b>553</b>		<b>\$0</b>	<b>\$15,455,979</b>

**TABLE THREE – 4% LIHTC PROJECTS RECOMMENDED FOR AHTF COMMITMENTS**

Project Name	CD	Units	Housing Type	AHTF Award	9% LIHTC Requested
T. Bailey Manor	14	45	Veteran	N/A**	\$0
Winnetka Senior Apartments*	3	95	Senior	\$1,200,000	\$0
<b>4% LIHTC Total</b>		<b>140</b>		<b>\$1,200,000</b>	<b>\$0</b>

**TABLE 4 – TOTALS**

	Units	AHTF Award	9% LIHTC Requested
<b>TOTAL – ALL PROJECTS</b>	<b>1,069</b>	<b>\$4,871,262</b>	<b>\$23,545,018</b>

\* Projects with pending LACDC applications

\*\* N/A = Project applied for but is not recommended for AHTF funding at this time

\*\*\* CTCAC regulations allow for forward commitments from future year allocations to cover minor current year overages.

- C. Negotiate and execute Exclusive Negotiation Agreements (ENA) for each project identified in Tables One through Three (as needed); subject to the satisfaction of all conditions and criteria stated in the AHTF application, this transmittal, and HCIDLA's Letter of Commitment (if any), and; subject to approval by the City Attorney as to form;
- D. Negotiate and execute an acquisition/predevelopment/construction/permanent loan agreement for each project identified in Tables One and Three that receives a funding award from the AHTF and the proposed leveraging source, subject to the satisfaction of all conditions and criteria stated in the AHTF application, this transmittal, and HCIDLA's Letter of Commitment, and; subject to approval by the City Attorney as to form;

- E. Execute subordination agreements for each of the projects in Tables One and Three that receives a funding award from the AHTF and the proposed leveraging source, wherein the City loan and regulatory agreements are subordinated to their respective conventional construction and permanent loans;
  - F. Execute agreements allowing the transfer to and/or execution of the City loans by a limited partnership, to enable admittance of tax credit investors;
  - G. Use uncommitted HOME funds from prior years' accounts within Fund No. 561 first, if any, before current year funds and accounts, as needed, to close out old accounts for transactions related to this report;
  - H. Amend the AHTF loan agreements for the Gateway Apartments and Caroline Severance Manor, to replace LADWP-PSHP funds that were part of the original agreement's project financing with HOME and Municipal Housing Finance Fund funds;
  - I. Prepare Controller's Instructions and any necessary technical adjustment(s), consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions;
3. The HCIDLA General Manager also requests that the City Council, subject to the approval of the Mayor, authorize the City Controller to:
- A. Allocate and expend funds from the following funds and accounts for the projects below, in accordance with the Initial Call for Projects recommendations:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
Gateway Apts.	561	43K008	AHTF	\$1,071,262.00
South West View	561	43K008	AHTF	\$2,600,000.00
Winnetka Sr. Apts.	561	43K008	AHTF	\$1,200,000.00
<b>TOTAL</b>				<b>\$4,871,262.00</b>

- B. Upon receipt of cash from the CRA/LA, a Designated Local Authority, appropriate and expend funds within Fund No. 55J Low and Moderate Income Housing Fund, upon proper demand of the HCIDLA General Manager or designee, for the former CRA/LA Projects as follows:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
Reseda Ranch (Arminta)	55J	43K008	AHTF	\$370,653.00
LDK Sr. Apts.	55J	43K008	AHTF	\$4,690,000.00
Slauson/Wall	55J	43K008	AHTF	\$2,011,668.00
29 <sup>th</sup> Street Crossings	55J	43K008	AHTF	<u>\$1,100,000.00</u>
<b>TOTAL</b>				<b>\$8,172,321.00</b>

C. Allocate and expend funds from the following fund and account, upon proper demand of the HCIDLA General Manager or designee, for the previously approved AHTF project:

Star Apts.	561	43C212	AHTF	\$50,000.00
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D. Establish a new appropriation account in Fund 815, Municipal Housing Finance Fund as follows:

815	43K008	AHTF
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E. Transfer appropriation as follows:

From:	815	43G143	Housing	\$216,443.00
To:	815	43K008	AHTF	\$216,443.00

F. Reallocate and expend funds for the previously approved AHTF projects as follows:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
From:				
Caroline Severance Manor	44G	43A615	DWP-PSHP	\$216,443.00
To:				
Caroline Severance Manor	815	43K008	AHTF	\$216,443.00
TOTAL				\$216,443.00
From:				
Gateway Apts.	44G	43A615	DWP-PSHP	\$382,018.34

To:					
Gateway Apts.	561	43J007	AHTF		\$173,276.00
Gateway Apts.	561	43K008	AHTF		<u>208,742.34</u>
TOTAL					\$382,018.34

**BACKGROUND:**

**Affordable Housing Managed Pipeline -- Initial Call for Projects**

In June 2013, HCIDLA received Mayor and City Council authority to release the 2013 Managed Pipeline Initial Call for Projects, with approval to issue up to two rounds per calendar year. Financing for proposals submitted under the Initial Call for Projects were to be structured with 9% LIHTC or 4% LIHTC with tax-exempt bonds. A total of 41 applications were received, requesting \$62.7 million in funding and \$49.4 million in 9% LIHTC requests. All applications were reviewed and scored by HCIDLA staff using criteria and guidelines outlined in the 9% LIHTC Pipeline Management Plan.

**Recommended Projects and Funding Sources**

Based on HCIDLA's evaluation of the proposals received, 17 projects proposing 9% LIHTC and two projects proposing 4% LIHTC and tax-exempt bonds listed in Tables One through Three of this report are recommended for admittance into the Affordable Housing Managed Pipeline. Furthermore, it is requested that HCIDLA be authorized to enter into an Exclusive Negotiation Agreement (ENA) with each of the project sponsors (as needed). HCIDLA will continue to exercise its authority in corresponding CTCAC rounds to oppose any project that is not part of the Affordable Housing Managed Pipeline. Projects listed in Tables One through Three as "N/A" under the AHTF Award column are those that requested funding but, for various reasons described further in this report, are not being recommended for financial commitments at this time.

A summary of all the applications received, including projects recommended for tax credits and/or financial commitments, is included as Attachment One of this report; it should be noted that the Verified HCIDLA Score is only for admittance into the pipeline and does not indicate a project's ranking or otherwise determine when a project will move into a tax credit round. Per the 9% LIHTC Pipeline Management Plan, projects will move forward based on readiness and the demonstration of firm commitments of all other financing sources, including expiring entitlements and non-City commitments. HCIDLA is currently collecting pertinent back-up documentation to undertake the analysis and ranking, and plans to complete this work by January 17, 2014.



### Immediate Commitments for LACDC Competition

In addition to the adoption of the Affordable Housing Managed Pipeline recommendations, HCIDLA requests authority to issue AHTF Letters of Financial Commitment to three projects listed in Tables One and Three: two letters to 9% LIHTC projects (Gateway Apartments and South West View) and one letter to a project proposing 4% LIHTC and tax-exempt bonds (Winnetka Senior Apartments). These three projects are competing for funding from the LACDC, for which letters of financial commitment are due on January 14, 2014.

The availability of LACDC funds afforded HCIDLA the opportunity to leverage its resources for the development of housing for special needs populations. LACDC applicants will be scored in part based on the amount of public funding secured; therefore, an AHTF financial commitment will give these projects a competitive advantage in the LACDC funding round.

The Winnetka Senior Apartments project will potentially extend the leveraging capacity of HCIDLA resources even further. The project recently received a funding recommendation from the California Department of Housing and Community Development (HCD) Multi Family Housing Program (MHP) and secured a Section 8 Project-Based Voucher commitment from the Housing Authority of the City of Los Angeles. Due to the project's proposed 4% LIHTC financing structure, it is exempt from the CTCAC competitive process as well as the State's funding ceiling for senior projects.

### Projected AHTF Commitments

Seven projects requesting AHTF funding are not being recommended for funding at this time. HCIDLA will return for Mayor and City Council approval of funding commitments for these projects at a later date.

The Campus at L.A. Family Housing requested AHTF funding in the amount of \$1,900,000; however, the project sponsor informed HCIDLA that the project is in the very early stages of development and is not yet ready to apply to CTCAC. PATH Metro Villas requested \$2,883,000 in AHTF funds but is ineligible to apply for LACDC funding due to the project's proximity to a freeway. For the Arlington Square and West Villas projects (with \$1,500,000 AHTF requests each), the developer withdrew both LACDC applications after being informed that the County would accept only one application per developer. The developer chose instead to submit an application for a project located outside Los Angeles City limits. T. Bailey Manor had included LACDC funding as a proposed source when it applied to HCIDLA with an AHTF request of \$2,635,000, but the project sponsor later informed HCIDLA that they decided not to submit an application for the LACDC funds. Lastly, two projects applying under the Los Angeles Geographic Region, Florence Mills and Norwood Learning Center, requested \$391,000 and \$1,179,360, respectively. These projects will apply to CTCAC in 2014 or 2015, therefore AHTF commitments were not needed at this time.

### Fully-Funded Projects

Nine of the 19 recommended projects did not request funding from HCIDLA. These projects are fully funded and will move forward with tax credits and non-City public funding.

### December 2013 Call for Projects

The Initial Affordable Housing Managed Pipeline did not fully capture and manage all the current leverage sources. Specifically, HCIDLA concluded that: 1) there are approximately four projects with HCD Transit-Oriented Districts (TOD) awards that were excluded from the Initial Affordable Housing Managed Pipeline because at the time of application the results of the TOD round had not been released and therefore the projects did not qualify for bonus points in HCIDLA's point scoring system; 2) HCIDLA did not receive a sufficient number of qualifying permanent supportive housing projects in the Initial Call for Projects to compete for 24 months' worth of 9% LIHTCs; and, 3) HCIDLA did not receive sufficient projects that qualified for the \$14.7 million Crenshaw Corridor Prop IC grant<sup>1</sup> that was awarded to the former CRA/LA by HCD and transferred to HCIDLA for administration after the Initial Call for Projects application deadline.

In order to resolve these matters, HCIDLA will open another round in December, on a limited basis, to solicit projects that address the aforementioned gaps in the Initial Affordable Housing Managed Pipeline.

### **Various Actions**

#### Expenditure Authority for Former CRA/LA Projects

On October 30, 2013, an HCIDLA City Council Transmittal was referred to the Housing Committee and is currently awaiting consideration and approval (C.F. #12-0049). The transmittal requests authority to allocate and expend funds for the Coronel Apartments and Florence Mills affordable housing projects. These two projects were awarded funding commitments by the former CRA/LA and approved for transfer to HCIDLA, but the loan proceeds had not been fully disbursed. Authority was needed in order to accept the funds, execute contract amendments, disburse the remaining funds, and fulfill the management responsibilities related to the housing assets and functions of the two projects.

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<sup>1</sup> The Crenshaw Corridor Prop 1C grant was executed in July of 2011 and requires that 299 units be constructed (of which 295 are to be restricted in their affordability levels to household incomes between 30 and 80 percent of the Average Median Income for the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area) and building permits issued within five years of the grant award; to date, 170 units have been constructed, leaving 129 units to be developed. Certain street improvements must also be completed in accordance with the terms of the agreement.

HCIDLA now requests authority to receive, allocate and expend funds for four additional CRA/LA-funded projects (listed under 3B of the Recommendations section of this report) currently included in the Housing Asset Transfer List. It is also requested that the undisbursed loan amounts be deposited into the Low and Moderate Income Housing Fund, Affordable Housing Trust Fund Account. HCIDLA funds will not be expended and this action does not impact HCIDLA fund and account balances; as explained previously in the aforementioned report, HCIDLA's involvement is simply to serve as a conduit to issue payments to borrowers on the obligated amounts of their CRA/LA loan agreements.

#### Reallocation of DWP-PSHP Funds

On October 4, 2006, the Mayor and Council approved the execution of a Permanent Supportive Housing Cooperation Agreement between HCIDLA, the Housing Authority of the City of Los Angeles (HACLA), the former CRA/LA, and LADWP (C.F. 05-2565-S1). LADWP's contribution as stipulated in the agreement was \$10 million in utility infrastructure funds, electric energy efficiency and water conservation loans, low income electric rates, water conservation and electric efficiency services, products, and rebates.

Two projects (Gateway Apartments and Caroline Severance Manor) have been recently completed or are nearing completion and funds are needed to pay off the construction loans. In order to avoid a default, it is requested that HCIDLA funds be used to bridge the disputed amounts pending final resolution. The total amount of DWP-PSHP funds to be reallocated for both projects is \$598,461.34. Also, due to the change in funding amounts and/or sources, an amendment to each AHTF loan agreement is required.

#### FISCAL IMPACT STATEMENT:

HCIDLA's proposed fiscal actions will commit \$4,871,262 in HOME funds for three projects recommended under the Initial Call for Projects for the development of 180 units of permanent supportive housing and the creation of 471 jobs. In addition, \$382,018.34 in HOME funds and \$216,443 in MHFF funds will be reallocated to replace an equal amount of LADWP-PSHP funds for two previously approved AHTF projects. Lastly, HCIDLA proposes to accept a total of \$8,172,321 in CRA/LA funds for four projects with executed CRA/LA loan agreements, and administer the future disbursements of the CRA/LA loan proceeds.

There is no impact to the General Fund.

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Attachments:

- 1) 2013 Initial Call for Projects Summary
- 2) Staff Reports - Projects Recommended for AHTF Financial Commitments
- 3) AHTF Summary of Activity