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COUNCIL TRANSMITTAL: POLICY DISCUSSION RELATIVE TO THE AFFORDABLE HOUSING TRUST FUND (AHTF) MANAGED PIPELINE PLAN.

On June 28, 2013 the City Council approved the 2013 AHTF Managed Pipeline Regulations, which established the process for submitting affordable housing developments to the Tax Credit Allocation Committee (TCAC) for tax credit financing (C.F. 13-0303). Upon adoption, the 2013 AHTF Managed Pipeline Regulations were used to solicit and select 31 affordable housing developments, which are currently in the City's affordable housing pipeline for financing.

At the time of adoption of the 2013 AHTF Regulations, HCIDLA committed to review and revise the AHTF Managed Pipeline Regulations and the underlying policies on an annual basis in order to ensure projects selected for public investment by the City remain aligned with the City's priorities, as well as, consistent with changes in Federal, State, local and private funding programs. The process to review and revise the AHTF Regulations is envisioned to occur through a public process whereby HCIDLA solicits, analyzes, and incorporates input and suggestions from the Mayor, City Council, affordable housing development community and stakeholders. This practice is similar to the process used by TCAC to update their regulations/Qualified Allocation Plan (QAP) for Low Income Housing Tax Credits.

In anticipation of a Call for Projects in November 2014, HCIDLA is preparing to release a draft of the 2014 AHTF Managed Pipeline Regulations for public comment. To that end, HCIDLA is hereby soliciting input from the Housing Committee on any policy matters relative to the AHTF Managed Pipeline that should be evaluated and discussed by HCIDLA and stakeholders.

HIGHLIGHTED POLICY CONSIDERATIONS

Over the last 12 months, HCIDLA collected informal comments from elected officials, members of the Los Angeles affordable housing development community and from its own staff. A sample of these comments is included in this communication as Exhibit A. In summary, the two significant policy matters arising from those comments are: Geographic Distribution of Housing Resources and Distribution of Resources by Housing Type.

Geographic Distribution of Resources

Consistent with the City's first Transit-Oriented Consolidated Plan for years 2013-2017 (adopted by the Mayor and City Council on February 27, 2013; C.F. 12-1607), the AHTF Managed Pipeline Regulations favors affordable housing developments located within half-mile of an existing or fully-funded transit corridor. As a result, 26 of the 31 projects in the AHTF Managed Pipeline are located in TODs. For purposes of the AHTF Managed Pipeline Regulations, Transit-Oriented Districts (TOD) are defined as Light and Heavy Rail lines and Bus Rapid Transit or Rapid Bus lines.

It has been suggested that the current definition of TOD provides a disadvantage to developments located in areas not served by TODs. Should the Mayor and City Council make a policy determination that a broader distribution of scarce housing development resources is in the best interest of the City, HCIDLA staff proposes two options:

Consideration #1: Expand the definition of TOD to include Commuter Rail and Commuter Express commuting options. The expanded TOD definition would greatly benefit the competitiveness of affordable housing developments proposed in the communities of Sylmar, Sun Valley, Sunland/Tujunga, Wilmington and others, which are currently not accessible by other mass transit lines.

Consideration #2: Loosen the coupling between the TOD-based Consolidated Plan and housing resources coordinated by the AHTF Managed Pipeline Regulations. This could be done by adding other basis for geographic preference and distribution, such as targeting specific census tracts, zip codes and/or council districts.

Both of the options above may result in broader geographic dispersion of affordable housing production

Distribution of Resources By Housing Type

The overwhelming demand for all types of affordable housing in the City of Los Angeles is well documented[1]. The current AHTF Managed Pipeline Regulations provide that at least 300 units of Permanent Supportive Housing (PSH) is set aside for our homeless constituents. However, the current AHTF Managed Pipeline Regulations do not contain annual PSH production goals. This is a significant nuance because under the TCAC allocation structure, the City's PSH projects must compete for tax

[1] The Consolidated Plan, the Housing Element of the General Plan, the Regional Housing Needs Assessment and National Low Income Housing Coalition's *Out of Reach*, to name just a few, provide ample data on the housing crisis facing the City of Los Angeles and Southern California.

credit allocations through the State-wide Set-Asides, which are extremely competitive. In the likely event that a PSH project does not win a tax credit allocation through the set-asides, the AHTF Managed Pipeline Regulations do not provide a directive to re-structure the financing, thereby ensuring that a minimum number of PSH units are produced annually.

Consideration #3: Modify the language in the AHTF Managed Pipeline Regulations to clarify the intent that a minimum number of units be produced annually by all housing types (PSH, seniors, family). A percentage distribution of resources by housing type may also be appropriate, as affordable housing resources tend to fluctuate.

TARGETING OF NON-CITY CONTROLLED RESOURCES

Periodically, new or additional affordable housing resources that are not controlled by the City of Los Angeles become available. These resources include, but are not limited to, Section 8 vouchers administered through the Housing Authority of the City of Los Angeles (HACLA), general funds targeting PSH projects administered through the County of Los Angeles or Proposition 41 funds for veterans administered through the State of California. In order to expedite production, the AHTF Managed Pipeline Regulations provide that HCIDLA will prioritize AHTF Managed Pipeline projects for funding from non-City controlled resources. HCIDLA requests that the Mayor and City Council re-affirm this position.

NEXT STEPS

HCIDLA hereby requests that the Housing Committee provide input on any AHTF Managed Pipeline Regulations policies for consideration. HCIDLA will analyze and incorporate all comments into the draft 2014 AHTF Managed Pipeline Regulations and will then report back to Mayor and Council no later than November 19th with a revised draft 2014 AHTF Managed Pipeline Regulations for consideration.

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EXHIBIT A

Sample of comments HCIDLA has received from elected officials and their representatives, Housing Developers and Stakeholders, and HCIDLA staff:

Mayor and City Council and other Government entities

1) How do the Managed Pipeline regulations align with new funding streams such as Proposition 41 and Cap and Trade Funds.

2) There are projects that are at a disadvantage in the evaluation and scoring criteria because they are located in areas of the City where there is an absence of public transportation or where the mode of public transportation does not meet the definition or criteria established by program providing transit oriented funding.

3) If an affordable housing development demonstrates readiness to apply to TCAC for tax credits, does it have to wait two years in the managed pipeline in order to apply for tax credits from TCAC.

Housing Developers and Stakeholders

1) There are no specific production goals for any housing type, but specifically for Permanent Supportive Housing Projects.

2) There is the absence of clear policies pertaining to the manner projects are removed from the Managed Pipeline.

3) There are instances when anticipated funding sources for affordable housing developments do not materialize and the housing developments are subsequently negatively impacted in the scoring and readiness evaluations.

4) Permanent Supportive Housing developments are at a disadvantage because if they are not awarded tax credits in the TCAC set-aside, they cannot apply for tax credits in the City of Los Angeles Geographic Region category.

HCIDLA's Staff

1) Both 9% and 4% tax credit developments are evaluated and scored by the same criteria and oftentimes developments proposed to be financed with bond funds tend to score better.

2) The level of affordability that a bond project asking for HOME funds has to meet is unclear. The policies only state that it has to be "comparable" to a 9% project. That standard is both unclear and potentially unrealistic.

3) The State has not finalized its cost study, consequently, maximum per unit costs have not been established.

The additional points for Community Facilities and Community Partnerships are too loosely defined. Anyone can qualify, and lack impact since projects will need to meet them anyway for a perfect TCAC score.