



## Hollywood Community Housing Corporation

Date: 9/24/14  
Submitted in Housing Committee  
Council File No: 13-0413  
Item No.: 6  
~~Commissioner~~ Commissioner from  
the Public

City of Los Angeles Housing Committee  
Councilmember Gilbert A Cedillo, Chair  
Councilmember Felipe Fuentes  
Councilmember Herb J. Wesson, Jr.  
Councilmember Joe Buscaino  
Councilmember Curren D. Price, Jr.

September 24, 2014

Dear Housing Committee Members:

We recognize that HCID has been tasked with monitoring the covenants associated with the Density Bonus and Parking reductions. We also recognize that they lack funding for the necessary staff positions to handle this work.

Hollywood Community Housing Corporation will often seek a Density Bonus and parking reductions for our developments. We can cobble together necessary funding to cover the upfront cost of preparing the associated covenants at whatever level HCID determines will cover their preparation costs. If we know in advance what the monitoring fees will be, and that it is a reasonable and sustainable amount, then we can also build those into our financing models.

It is difficult to understand on a comparison basis how the cost to monitor an HCID covenant can be so much more expensive than other agencies. For a 50 unit affordable housing deal, the Tax Credit Allocation Committee will charge a onetime fee of \$20,500 to monitor that project for 55 years. That is a cost of \$410/unit. The Community Development Commission of the County of Los Angeles will charge a onetime monitoring fee of \$26,450 to monitor the project for 55 years. That is a cost of \$529 per unit. Based on the proposed fee of \$206 per unit, it will cost HCID \$309,000 to monitor a 50 unit building covenant for 30 years. \$206 per unit per year is a fee that increases the operating cost per unit by 4-5%.

We are in an era where available subsidy for affordable units is very low. We have begun to reevaluate the types of deals that we can get built, even looking at mixed income deals for the first time. Fees that make any of these deals less feasible impede the production of all types of housing.

We would ask that the Committee review the actual recovery costs of this work. Additionally, we would ask that the following language get added into the covenants for 100% affordable deals *"If the Owner can show that the payment or reimbursement of this fee will jeopardize the economic status of the project then the City can lower or waive the requirement of this fee."*

I would be happy to speak further about these issues should you wish to do so. I can be reached at 323-454-6211.

Very truly yours,

Maura Johnson  
Housing Director

(i) Owner shall request the Department to certify the eligibility for any prospective Eligible Household, by submitting required documentation, as determined by the Los Angeles Housing Department.

(j) In the event that owner fails to reasonably verify the prospective Eligible Household's eligibility (per Section 4(h)) and rents to a tenant whose income for such previous year exceeds the permissible limits, Owner agrees to pay to the Department, all rents received for each day of occupancy by such unqualified tenants.

(k) Within ten (10) working days of the submission of any request to the Department, or submission of additional information required by the Department, the Department shall furnish Owner with:

- (1) a determination that the prospective renter is an Eligible Household;
- or
- (2) a determination that the prospective renter is not an Eligible Household; or
- (3) a statement that specified additional information is required to enable the Department to make its determination.

(l) In the event the owner rents the Restricted Unit(s) at a rental above those specified in Exhibit "B," Owner agrees to pay to the Department, the difference between the rental charge and that allowed in this covenant and agreement for the period that the disallowed rent was being charged.

(m) Owner shall maintain books and records to the satisfaction of the Department verifying renter's eligibility, rent being charged and proper maintenance of the Restricted Unit(s). Such books and records shall be made available for inspection by the Department at any time with two working days notice.

(n) On an annual basis the Owner shall provide the Department with a copy of an occupancy summary report showing the present occupants, rent, and size of the Restricted Unit(s) in the Project, and any other information which the Department requests and which relates to the eligibility of these households. If the household size of a previously approved Eligible Household changes, the owner is required to provide the Department additional income documentation, if applicable, to determine eligibility. If the approved Eligible Household is found no longer to be an Eligible Household, such Unit will continue to be treated as a Restricted Unit until the next available Unit of comparable size in the Project is rented to a person who qualifies for a Restricted Unit. (See Section 7 - Annual Determinations).

(o) On a date designated by the Department and annually on that date thereafter, Owner agrees to reimburse the Department **\$50 annually** per Restricted Unit to offset the cost of performing the duties and responsibilities of this agreement. **If the owner can show that the reimbursement of this fee will jeopardize the economic status of the project then the city can lower or waive the requirement of this fee.**

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language previously used in these covenants

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