

TRANSMITTAL

To:

THE COUNCIL

Date: 02/22/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garcetti', is written over a faint circular official seal.

(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Office of the General Manager
1200 West 7th Street, 9th Floor, Los Angeles, CA 90017
tel 213.808.8808 | fax 213.808.8616
hcidla.lacity.org

February 19, 2016

Council Files: 15-0087
Council District(s): All
Contact Person(s):
Rushmore Cervantes (213) 808-8808
Claudia Monterrosa (213) 808-8650
Helen Campbell (213) 922-9622

The Honorable Eric Garcetti
Mayor, City of Los Angeles
200 N. Spring Street, Room 303
Los Angeles, CA 90012

Attn: Mandy Morales, Legislative Coordinator

**REQUEST FOR APPROVAL OF VARIOUS ACTIONS RELATIVE TO THE CITY'S
STRATEGY FOR THE 2016 ROUND 2 FUNDING OPPORTUNITY OF THE STRATEGIC
GROWTH COUNCIL'S (SGC) AFFORDABLE HOUSING AND SUSTAINABLE
COMMUNITIES (AHSC) PROGRAM**

SUMMARY

The Affordable Housing and Sustainable Communities (AHSC) Program is one of the eleven cap-and-trade proceeds programs in the state. Its main goal is to reduce greenhouse gas (GHG) emissions through reduced vehicle miles traveled by providing grant and loan opportunities to fund affordable housing developments with sustainable transportation infrastructure, mobility and urban greening components in disadvantaged communities. On January 29, 2016 the Strategic Growth Council (SGC) released the Second Notice of Funding Availability (NOFA) for \$320 million. The Concept Application deadline is March 16, 2016, thereafter, SGC will invite the selected proposers to submit a complete full application by June 20, 2016.

As directed by the City Council and the Mayor's Office (CF #15-0087, Attachment A), the Los Angeles Housing + Community Investment Department (HCIDLA) hereby reports back on the recently approved AHSC guidelines, the concept application process, the ongoing City AHSC working group progress and the strategy the City of Los Angeles used to make final determinations about which projects to join as a Co-Applicant and which projects to recommend for funding. The City's interdepartmental working

group determined that between nine and 16 affordable housing and sustainable transportation projects will submit AHSC Concept Applications to the SGC by the March 16, 2016 deadline.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests that:

- I. Your office schedule this transmittal at the next meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter; and
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. AUTHORIZE the HCIDLA General Manager to sign on behalf of the City of Los Angeles as an AHSC Co-Applicant as determined by the proposed criteria.
 - B. DIRECT the HCIDLA General Manager to continue to lead the coordination, partnership and engagement with LA Department of Transportation (LADOT), Department of City Planning (DCP), Department of Public Works (DPW) and other City Departments, as necessary, in joint planning efforts and assessment of individual affordable housing projects to increase each AHSC applicant's readiness and competitiveness for current and future funding rounds.
 - C. APPROVE the proposed City AHSC strategy and Co-Application selection criteria.
 - D. AUTHORIZE the HCIDLA General Manager to issue funding commitment letters and letters of support for affordable housing projects that meet the City's AHSC criteria as outlined herein.

BACKGROUND

The Affordable Housing and Sustainable Communities (AHSC) program furthers the purposes of AB 32 and SB 375, and is one of 11 funding programs included in the State's Cap-and-Trade program. The purpose of the AHSC program is to reduce GHG emissions by fostering walkability and public transit use to reduce vehicle miles traveled. This goal is achieved by funding affordable housing developments that are coupled with mobility and urban greening improvements.

This program is currently slated to receive an annual statutory allocation (per SB 862) of 20 percent of the proceeds generated by the Cap-and-Trade auction program through 2020. In fiscal year 2015-2016, the state generated over \$3 billion in proceeds amounting to an allocation of \$320 million for the AHSC program. The fund is projected to grow to \$5 billion by 2020, of which \$1 billion would go to the AHSC program. Advocacy efforts are underway to make this revenue source permanent. AHSC awards are available as grants and/or loans to capital projects that can achieve GHG reductions and benefit disadvantaged communities (DACs). DACs are census tracts whose combined economic, demographic and environmental factors demonstrate a relatively disproportionate negative impact.

Successful projects are those that achieve substantial GHG reduction by increasing the accessibility of affordable housing, employment centers, and key destinations through low-carbon transportation, such as shortened or reduced vehicle trip length or mode shift to transit, bicycling, or walking. With the elimination of the jurisdictional cap limiting the number of awarded projects, a single project may receive up to \$20 million in Round 2. The state has identified three project types to implement this strategy: Transit Oriented Development (TOD) Projects, Integrated Connectivity Projects (ICP), and Rural Innovation Project Areas (RIPA). While all types may include affordable housing, only TOD projects are required to include an affordable housing development or an affordable housing related infrastructure.

Of the 20 project proposals that HCIDLA and the City's AHSC working group reviewed, between nine and 16 affordable housing and sustainable transportation projects have been deemed to meet AHSC program threshold requirements to potentially submit AHSC concept applications to the Strategic Growth Council (SGC) by the March 16, 2016 deadline. The working group is led by HCIDLA in close partnership with the LADOT, DCP, DPW, Chief Legislative Analyst (CLA), Mayor's Office, Los Angeles County Metropolitan Transportation Authority (LACMTA), and Enterprise Community Partners (Enterprise), a non-profit organization.

AHSC STATUS AND PROPOSED STRATEGY

2nd Round NOFA Approach

In anticipation of the new funding round, HCIDLA has led the City's AHSC planning efforts and worked collaboratively with the Mayor's Office, the City Council, the CLA's Office, LADOT, DCP, DPW, LACMTA, and Enterprise to discuss the AHSC program requirements and coordinate applications within the City of Los Angeles. In order to support these efforts, HCIDLA and Enterprise entered into a Memorandum of Understanding whereby Enterprise agreed to provide technical assistance and expertise to build internal capacity, help facilitate joint planning efforts and increase the City's AHSC competitiveness in order to help it achieve its policy goals. Since AHSC is a relatively new program, the City sought external support to help ramp up and meet the demand for the current and subsequent rounds of AHSC funding.

The revised AHSC Program structure creates a strong incentive for meaningful coordination between affordable housing developers and public agencies with authority over public transit or transportation infrastructure. AHSC requires project applications with multiple components that include affordable housing, transportation infrastructure, transportation amenities, transportation programming, urban greening and other investments. In some cases, affordable housing developers are ineligible to apply unless they can incorporate significant transportation related infrastructure into their project scopes. Thus, to maximize the number of competitive applications, City staff need to actively integrate, coordinate, and engage in deep joint planning efforts across multiple departments for the current and future AHSC funding rounds.

Proposed City AHSC Strategy Components

- I. Proposed Criteria for General AHSC Support** – The City's goal is to provide assistance and general support to all AHSC applicants developing projects in the City of Los Angeles who approach the City consistent with the City's working group and AHSC's timetable. General

support includes an evaluation of project readiness in order to determine the project's likelihood for meeting minimum AHSC threshold requirements. The City's evaluation includes a collaborative joint planning session between the developer and staff representatives from the HCIDLA, the LADOT, the DCP and other City staff as necessary. If the City's working group determines that a project meets all of the AHSC program requirements, an official City of Los Angeles resolution that provides general support for both the AHSC concept proposal as well as the AHSC full application will be provided.

- II. Proposed Criteria for AHSC Co-Application** - The AHSC program awards additional points at the concept proposal and full application stage for affordable housing projects that have teamed up with their local jurisdiction and/or local transportation agency to apply to AHSC as Co-Applicants. An AHSC application that includes the City as a Co-Applicant can potentially improve competitiveness in seven of the 11 possible point categories as outlined in Appendix C. The City will prioritize AHSC applications for Co-Application status that meet the following criteria:

Co-Applicant Criteria:

Each Co-Applicant must be project ready and must meet the AHSC minimum threshold requirements. In addition, a Co-Applicant must satisfy at least one of the following criteria:

- A. Have been admitted into the City's Affordable Housing Trust Fund Managed Pipeline.
- B. Advance the HCIDLA's prioritized planning efforts and policy objectives that implement the production and preservation of affordable housing near transit.
- C. Advance and promote sustainable transit infrastructure and amenities that implement prioritized LADOT and LACMTA planning efforts and policy objectives.

Evaluating all potential AHSC applications in a collaborative planning session and prioritizing those that meet minimum threshold and advance the Mayor and City Council's planning and policy objectives for co-application increases the City's potential to achieve a greater share of AHSC grant and loan funds. This process enhances the City's AHSC competitiveness in order to produce and preserve quality affordable housing that integrates carbon-reducing measures through sustainable transportation infrastructure and amenities in the City.

Potential AHSC applications that are reviewed by the City's AHSC working group and are determined not to meet the above Co-Applicant criteria can still proceed to submit their concept applications to the SGC and will receive general support from the City. However, those submissions would not include the City as a Co-Applicant.

Legal Co-Application Requirements - In preparation for the March 16, 2016 concept application deadline, the City is required to self-certify their role as a Co-Applicant and intention to enter into an agreement that clarifies the responsibility borne for specific portions of the award. Thereafter, the City and the pertinent City departments will work with each project invited to submit a full application to develop contractually binding indemnification agreements that address joint and several liability as well as funding administration and overall responsibility. Because each project's structure is unique there is no template for this type of agreement; the City has the flexibility to develop agreements that do not include broader liability. The City will also require an insurance policy for the benefit of the City from the

applicant developer. This indemnification agreement and insurance must be completed by the full ASHC application deadline of June 20, 2016.

- III. Provide Enforceable Funding Commitments** - At the concept phase, applications will be filtered according to (a) satisfaction of AHSC threshold requirements; and (b) demonstration of the level of enforceable funding commitments (i.e. permanent funding commitments such as low-income housing tax credit equity, Community Development Block Grant program, HUD supportive housing program). In order to count 9% tax credits as a possible leveraged source of funding on the AHSC concept proposal and application, an official award letter is required. The HCIDLA will issue preliminary reservation letters as prescribed by the City's Affordable Housing Trust Fund Managed Pipeline to increase the competitiveness of AHSC applications in the City.

AHSC OUTCOMES TO DATE

Since the creation of the cap-and-trade program in 2012, HCIDLA, together with the housing community, sought inclusion of affordable housing as a qualifying program through letters and comments to the Air Resources Board (ARB). In 2014, for the first time, the cap-and-trade investment plan created the Affordable Housing and Sustainable Communities program effectively requiring funding set-asides for affordable housing development.

HCIDLA has helped shape the AHSC program guidelines through multiple rounds of comments that include the Mayor's Office, the City Council, other City Departments, LACMTA, the Southern California Association of Governments (SCAG), and advocacy organizations to ensure the City's interests and needs are incorporated in final guidelines. In the first NOFA (2014-2015), a total of nine projects located in the City received an AHSC award totaling \$30 million and supporting 856 new affordable housing units located in transit-oriented districts and infill areas of the City.

In response to a City Council directive in the Fall 2015, HCIDLA made recommendations to the AHSC program to better consider Los Angeles' uniqueness. In response, some of the most notable changes to AHSC include a \$15 million jurisdictional cap removal, a restructured scoring rubric to better balance GHG and policy objectives, additional points awarded for deeper affordability, and incentives for meaningful coordination between public agencies and housing developers.

HCIDLA also hosted a developer informational session in the fall of 2015 to provide all prospective applicants with an overview of recent key changes to the program guidelines, introduce the City's approach in assisting potential applicants for the upcoming funding round in January 2016, and identify all potential City of Los Angeles AHSC applicants for 2016. Developers were informed of the new funding guidelines, timelines, and requirements of the program. Representatives from LACMTA, LADOT, DCP and TransForm (a private consultant) also presented at the session and discussed their prospective roles in preparing 2016 AHSC applications. The Mayor's Office, the CLA's Office, the Los Angeles River Works section in the Mayor's Office, the Housing Authority of City of Los Angeles, and the Economic and Workforce Development Department were also in attendance.

Finally, in preparation for the \$320 million AHSC Round 2 NOFA HCIDLA, along with key staff from the LADOT, DCP, LACMTA and Enterprise, conducted a series of AHSC one-on-one clinics in early February 2016. Jointly, the working group conducted personalized planning sessions with each developer intending to apply. Each developer met individually with the interdepartmental working

group to evaluate project readiness, align their affordable housing development with existing transit and community plans, and identify potential opportunities to solidify City-Developer partnerships for possible Co-Application.

CONCLUSION

Positioning the City to maximize its AHSC competitiveness to successfully secure capital loans and grants advances the City's policy goals as outlined in Mayor Garcetti's Sustainable pLAn to develop strategies that address climate change impacts to Los Angeles neighborhoods. The AHSC program helps the City achieve its policy goals of producing and preserving strategically developed affordable housing combined with sustainable transit and greening infrastructure improvements to reduce greenhouse gas emissions.

FISCAL IMPACT

While there is no fiscal impact associated with this report at this time, these recommendations will allow the City to compete for up to \$320 million in AHSC funding.

Prepared by:



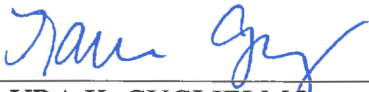
HELEN CAMPBELL
Housing, Planning and Economic Analyst

Reviewed by:



CLAUDIA MONTERROSA
Director, Public Policy and Research Unit

Reviewed by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

APPENDICES

APPENDIX A

PROJECTS APPLYING FOR AHSC PROGRAM ROUND 2, 2016						
No.	Managed Pipeline	Project	Developer	Project Address	Council District	Units
1	Y	PATH Metro Villas	PATH Ventures	320 N. Madison Ave., 90044	13	122
2	Y	Florence Mills	Hollywood Community Housing Corporation	1036 E. 35 th St., 90011	9	54
3	Y	Paul Williams	Hollywood Community Housing Corporation	1010 E. Jefferson Blvd., 90011	9	71
4	Y	7 th & Witmer Apts.	Deep Green Housing	1301 E. 7 th St., 90017	1	76
5	Y	Westmore Elden Phase 1	West Hollywood CHC	1250 S. Westmoreland Ave., 90006	1	93
6	Y	Westmore Elden Phase 2	West Hollywood CHC	1255 Elden Ave., 90006	1	93
7	Y	Rolland Curtis West	Abode Communities	1077 W. 38 th St., 90037	8	70
8	Y	Metro at Western	Meta Housing Corporation	3651 S. Western Ave., 90018	8	33
9	Y	Sun Valley Sr. Apts.	East LA Community Corporation	9041 N. Laurel Canyon Blvd., 91352	6	96
10	Y	Six Four Nine Lofts	Skid Row Housing	649 S. Wall St., 90014	14	55
11	Y	54 th St. Crenshaw	West Angeles CDC	5414 S. Crenshaw Blvd, 90043	8	69
12	Y	Buckingham Place Phase II	Meta Housing Corporation	4020 Buckingham Rd., 90088	10	TBD
13	N	Jordan Downs	Michaels Development, Bridge Housing, HACLA	9901 S. Alameda, 90002	15	250

14	N	Bartlett Hill Manor	LINC Housing	625 N. Bunker Hill Ave., 90012	1	65
15	N	Senator	Skid Row Housing	729 S. Main St., 90014	14	100
16	N	TBD	Skid Row Housing	401 E. 7 th St., 90014	14	100
17	N	Griffith & 29 th St.	UHC LLC	850-854 E. 29 th St., 90011	8	TBD
18	N	Griffith & 29 th St.	UHC LLC	2901 – 2907 E. Griffith Ave., 90011	8	TBD
19	N	Lorena Plaza	A Community of Friends	3401 E. 1 st St., 90063	14	49
20	N	Derby Heights	LINC	315 N. Bonnie Brae St., 90026	13	46
	12 Managed Pipeline					At Least 1442 Units

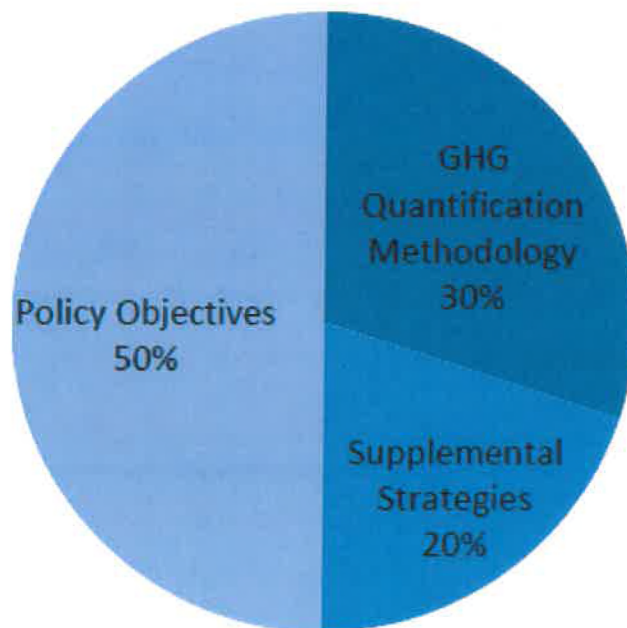
APPENDIX B
The 2016 AHSC Program Schedule as of 2/17/16

Release of 2015-2016 AHSC Notice of Funding Availability	January 29, 2016
Release of 2015-2016 AHSC Concept Proposal Application	February 3, 2016
Concept Proposals Due	March 16, 2016
Notification of Invite to Submit Full Application	Week of April 25, 2016
Full Applications Due	June 20, 2016
Awards Announced	September 2016

APPENDIX C AHSC Scoring Criteria and Scoring Elements

Scoring Element	Points
GHG Reduction	
GHG Quantification Methodology	
<ul style="list-style-type: none"> Estimated GHG Emissions Reductions (CalEEMod and TAC): 	
Total Project GHG Reductions	15
Cost Efficiency of Reductions (Total Project GHG Reductions/AHSC \$ Request)	15
Supplemental Strategies	
<ul style="list-style-type: none"> Active Transportation Improvements 	10
<ul style="list-style-type: none"> Water, Energy, and Greening 	10
GHG REDUCTION CATEGORY SUBTOTAL	50
Policy Objectives	
<ul style="list-style-type: none"> Depth and Level of Housing Affordability 	10
<ul style="list-style-type: none"> Housing and Transportation Collaboration 	10
<ul style="list-style-type: none"> Community Benefit and Engagement 	8
<ul style="list-style-type: none"> Location Efficiency and Access to Destinations 	8
<ul style="list-style-type: none"> Funds Leveraged 	5
<ul style="list-style-type: none"> Anti-Displacement and Workforce Training Strategies 	4
<ul style="list-style-type: none"> Program Need and Readiness 	3
<ul style="list-style-type: none"> Implementation of Planning Efforts 	2
POLICY OBJECTIVES CATEGORY SUBTOTAL	50
TOTAL POINTS	100

AHSC Scoring Elements



APPENDIX D
Concept Proposal Criteria

Figure 5 AHSC Concept Proposals Required Contents	
Project Overview	
1	Project Description defining each of the following: <ul style="list-style-type: none"> • Project Area Type (TOD, ICP or RIPA) • Project Area (defined by vicinity map, service area, etc.) • Project location (i.e. address) • Transit Service map and schedules • Proposed Project Description • Eligibility for Statutory Set-Asides, if applicable <ul style="list-style-type: none"> ✓ Affordable Housing ✓ Disadvantaged Communities • Identification of Project Co-Benefits
2	AHSC Program funding amounts requested for: <ul style="list-style-type: none"> • Grant funds • Loan funds
3	Applicant Information: <ul style="list-style-type: none"> • Identification of joint applicants • Identification of participating entities
Threshold Requirements	
4	Description of GHG emission reduction strategies attributable to the Project
5	Demonstration of how the Project supports the implementation of the applicable SCS or other qualifying regional plan
6	Consistency with State Planning Priorities (Self-Certification form)
Project Readiness	
7	Evidence of Enforceable Funding Commitments
8	Project Budgets
9	Demonstration of Project readiness as appropriate: <ul style="list-style-type: none"> • Site Control (per Section 106(a)(7)) • All necessary NEPA and CEQA clearances per Section 106(a)(4) • All necessary discretionary land use approvals, excluding design review (per Section 106(a)(5)) • Consistency with local public works department, or other responsible local agency requirements (for Housing-Related and Transportation-Related Infrastructure Capital Projects only) (per Section 106(a)(14)(D) or (15)(A)) • Estimated Project milestone schedule • Demonstration (self-certification) that Project construction has not yet commenced (per Section 106(a)(10))