

CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE

Council File No.17-0090  
Council District: All

Date: August 10, 2017

To: The Mayor  
The City Council

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Sharon M. Tso, Chief Legislative Analyst

Rushmore D. Cervantes, General Manager, Housing and Community Investment Department

Subject: **AMENDMENTS TO THE PROPOSITION HHH REPORT DATED MAY 16, 2017 RELATED TO THE PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM APPLICATION PROCESS FOR FISCAL YEAR 2017-18 AND THE FACILITIES PROGRAM FISCAL YEAR 2017-18 REQUEST FOR PROPOSALS FOR THE FISCAL YEAR 2018-19 BOND ISSUANCE**

**RECOMMENDATIONS**

That the Council, subject to approval by the Mayor:

1. Relative to the Proposition HHH Permanent Supportive Housing Loan Program:
  - a. Approve the proposed Proposition HHH Permanent Supportive Housing Loan Program Term Sheet for Fiscal Year 2017-18 (Attachment 1);
  - b. Direct the Housing and Community Investment Department to report with the final Program guidelines based on this Term Sheet once outreach to program stakeholders has been completed; and
  - c. Direct the Housing and Community Investment Department to obtain proposals from consultants on its qualified list to provide services relative to policies for achieving geographic distribution of projects across the City and work with the City Administrative Officer and Chief Legislative Analyst to identify an appropriate funding source for professional services.
  
2. Relative to the Proposition HHH Facilities Program:
  - a. Approve the amended proposed policy recommendations for the Proposition HHH Facilities Program Fiscal Year 2017-18 Request for Proposals for the Fiscal Year 2018-19 Bond Issuance, and the process for identifying City-sponsored facilities; and
  - b. Authorize the City Administrative Officer to release the Proposition HHH Facilities Program Fiscal Year 2017-18 Request for Proposals for the Fiscal Year 2018-19 Bond Issuance, subject to City Attorney review and approval.

## **SUMMARY**

On June 7, 2017, the Housing and Homelessness and Poverty Committees considered the City Administrative Officer's (CAO) report dated May 16, 2017 on the Proposition HHH (Prop HHH) Administrative Oversight Committee (AOC) recommendations relative to the Permanent Supportive Housing Loan and Facilities Programs. The Committees directed the CAO, the Housing and Community Investment Department (HCID), and the Chief Legislative Analyst (CLA), to report back on the following:

1. Relative to the Prop HHH Supportive Housing (PSH) Loan Program:
  - i. Incentivizing the geographic distribution of permanent supportive and affordable housing throughout the City; and
  - ii. Conducting additional outreach to potential proposers/stakeholders on the policy recommendations for the Fiscal Year (FY) 2017-18 application process.
  
2. Relative to the Prop HHH Facilities Program:
  - i. Incentivizing the geographic distribution of Prop HHH Facilities throughout the City;
  - ii. Defining the recommended leverage requirement to ensure proposers are not unduly disadvantaged;
  - iii. Amending the recommended requirement for a letter of good standing from the proposer's service funder; and
  - iv. Conducting additional outreach to potential proposers/stakeholders on the policy recommendations for the FY 2017-18 Request for Proposals (RFP) for the FY 2018-19 Bond Issuance.

### **PROPOSED PROPOSITION HHH PERMANENT SUPPORTIVE HOUSING LOAN PROGRAM FOR FY 2017-18**

HCID's proposed Prop HHH PSH Loan Program would provide early funding commitments to PSH projects that demonstrate the ability to provide well-managed, service-enriched housing for the homeless. The proposed program is designed to leverage existing and future City, County, State and Federal funding streams. This program will be administered separate and apart from HCID's existing Affordable Housing Managed Pipeline Program. The proposed Prop HHH PSH Loan Program Term Sheet and Approval Process are provided in Attachment 1.

The PSH Loan Program differs from the City's existing Affordable Housing Managed Pipeline program in three (3) key ways:

1. **TRIANNUAL CALL FOR PROJECTS** – The PSH Loan Program proposes accepting applications for new PSH projects three times per FY on a fixed schedule – July (starting in FY 18-19), October and February. This will enable project sponsors to plan ahead for land acquisition and financing.

2. THRESHOLD REVIEW – The PSH Loan Program allocations will be based on an established scoring threshold for funding consideration. Projects that meet the scoring threshold requirements of the PSH Loan Program will be recommended for a two (2) year conditional loan commitment.
3. CONDITIONAL COMMITMENT LETTER – The PSH Loan Program proposes to make conditional funding commitments to qualified PSH projects early in the development process, before all other financing sources have been secured. By making funding commitments early in the development process, the City puts qualified projects in a strong position to secure non-City funding.

According to the proposed PSH Loan Program, project sponsors must have demonstrated experience constructing and operating PSH projects. They must also demonstrate site control and the ability to obtain financing and entitlements within two years of the PSH loan commitment. These projects must commit 50 percent of their units as PSH for homeless individuals and families with half of these PSH units reserved for the chronically homeless. Applications that meet these threshold requirements for a PSH Loan will be recommended to the Prop HHH Citizens Oversight Committee (COC) and AOC, the City Council and Mayor for a conditional funding approval and the issuance of commitment letter, which will remain in effect for two (2) years.

#### Supplemental Funding

The Prop HHH PSH Loan Program's proposed per unit subsidy was initially up to \$140,000 for projects with 4 percent Low Income Housing Tax Credits (LIHTC) and \$100,000 for projects with 9 percent LIHTC. However, due to the unavailability of a number of key PSH funding sources (e.g. LA County Mental Health Funds, "No Place Like Home" Program) until late 2018, the decrease of tax credit equity pricing and the rise in construction costs, substantial financing gaps have occurred and are expected to continue into the next year.

To address these funding concerns, the recommended PSH Loan Program provides additional supplemental funding of an amount not to exceed \$80,000 for both 4 percent LIHTC projects and 9 percent LIHTC projects. Accordingly, the combined not to exceed total for 4 percent LIHTC projects and 9 percent LIHTC projects is \$220,000 and \$180,000, respectively, for projects applying in Fiscal Year 2017-18. The \$80,000 in supplemental funding will follow the PSH Loan Program funding requirements. The supplemental commitment will have the same two (2) year conditional term. At the beginning of FY 2018-19, HCID will re-evaluate whether to recommend supplemental funding for future application rounds.

#### Innovative Approaches

HCID welcomes the development of new approaches to PSH. With the passage of Prop HHH, HCID has been contacted about new ideas to reduce the cost and/or time to develop PSH, including hotel/motel conversion, housing built from shipping containers and micro-units. HCID reports that annual updates to program regulations also provide regular opportunities to adjust program requirements to reflect lessons learned. As requested by the COC, the Prop HHH

PSH Loan Program term sheet has been updated to reflect HCID's openness to innovative approaches and annual program regulation updates (Attachment 1). It is important to note that innovative approaches to PSH development must also comply with the City's established policies for affordable housing construction, such as prevailing wage construction, relocation of tenants, environmental review, fair housing, and compliance with the Americans with Disabilities Act (ADA).

### Stakeholder Outreach

HCID conducted extensive stakeholder outreach to develop the draft Term Sheet (Attachment 1). Upon its approval, HCIDLA will publish draft regulations based on the Term Sheet for additional stakeholder input. HCID will report back with the policy recommendations for the FY 2017-18 application process once the outreach process has been completed. Calls for Projects will be issued in October 2017 and February 2018. Program rules and regulations will be reviewed and updated annually, beginning in March 2018. The program's implementation schedule is outlined below.

### **Implementation Calendar – Prop HHH PSH Loan Program**

<b><u>Task</u></b>	<b><u>Estimated Date</u></b>
Publish Draft FY 2017-2018 Regulations	August 25, 2017
Stakeholders Meeting	September 8, 2017
Release Report on Final Regulations	September 18 2017
City Council and Mayor approval of Regulations	October 4, 2017
Issue 1 <sup>st</sup> Call for Projects	October 13, 2017
Proposal Due Date	November 13, 2017
Proposers Notified of Determination & Appeals Process	Mid December 2017
Funding Recommendations to COC	January 2018
Funding Recommendations to AOC	January 2018
Funding Recommendations to City Council and Mayor	February 2018
Issue 2 <sup>nd</sup> Call for Projects	February 2018
Approval Process for FY 2018-19 Regulations	April 2018
Proposed Project Expenditure Plan (PEP) to COC	March 2018
PEP to AOC	April 1, 2018
PEP to City Council and Mayor for Approval	May 2018
CAO Debt Management Group bond issuance/resolution report approved by City Council and Mayor	By June 15, 2018

### Geographic Distribution

As instructed by the Housing and Homeless and Poverty Committees on June 7, 2017, future Prop HHH PSH Loan Program regulations will include a methodology for achieving geographic distribution of projects across the City. This fair share policy is being developed in conjunction with the HUD required Assessment of Fair Housing (AFH). Until the AFH is completed, HCID proposes an interim strategy to achieve geographic distribution of Prop HHH PSH Loan

Program project by allowing a higher developer fee than previously proposed for projects located in Difficult to Develop Areas (DDAs). The AFH and DDA policies are described below.

The AFH will include analysis of disparities in access to opportunity and disproportionate housing needs. Its goal is to increase housing choice for all community members. The results of the AFH will inform the strategies and actions of HCID's programs going forward. This will include taking meaningful actions to foster inclusive communities free from barriers and to encourage integrated and balanced living patterns. It will provide policies to mitigate concentration in areas of poverty.

These policies could include mobility-based strategies for families who wish to move to lower poverty areas and place-based strategies for historically disinvested areas, which are not necessarily mutually exclusive. The goal is to make sure that new high-density developments are close to "community assets" such as schools, transportation, parks and jobs. This will incorporate the consideration of indicators of housing opportunity supported by established research and experience. As part of the AFH process HUD is providing online data and maps. They contain information about a range of topics such as concentrations of poverty, exposure to environmental hazards and access to high-performing schools. These opportunity indices taken together, will show overarching patterns and produce a bigger picture framework for decision making. Once the AFH is complete, HCID will work with a consultant on ways to incorporate the findings of the AFH into its supportive and affordable housing development programs. We are requesting approval to obtain proposals from HCID's qualified list of consultants to assist the department with this effort.

#### Difficult to Develop Areas

Until the AFH is completed and approved by HUD, HCIDLA is recommending an interim financial incentive to achieve geographic distribution of projects. This system would involve federally designated DDAs. Under the federal Low Income Housing Tax Credit statute, DDAs are areas with "high construction, land and utility costs relative to area median gross income." In other words, DDAs are areas where development costs are high relative to the County median income. Until recently all of Los Angeles County was considered a DDA. Recent regulations now designate these high cost areas by postal zip code, and are therefore called "Small DDAs." Attachment 2 highlights the City's Small DDAs (SDDAs).

Currently, Federal law permits a 30 percent increase (also known as "basis boost") in the calculation of Low Income Housing Tax Credits if the development is located within a SDDA. That is, a development can receive additional federal tax credits which, in turn, results in more private investment than the same project would if it resided outside of a SDDA.

HCID proposes a policy that would allow developers of SDDA projects to potentially earn a larger developer fee for carrying out the additional challenges of developing in these high-cost areas. Currently, HCID caps the developer fee at \$2.5 million per project. However, tax credit regulations permit a developer fee of up to 15 percent (15%) of the eligible construction costs, with any amount over \$2.5 million\* be either deferred for later payment, or contributed back as equity to defray other project costs. HCID recommends that the full 15 percent federal guidelines be allowed and any amount over \$2.5 million be payable to the developer from cash

flow to offset the likely higher costs in the SDDAs. The combination of additional investor equity and higher developer earnings may stimulate more projects across the broader geographic spectrum within the City.

Following the completion of the AFH, HCID will work with a consultant on ways to incorporate its findings and recommendations into HHH PSH Loan Program. The regulations for FY 2018-19 will include an agreed upon formula for calculating incentives (financial and nonfinancial) to encourage geographic distribution as economic conditions change.

\* plus \$10,000 per unit for each unit in excess of 100

## **PROPOSED FY 2017-18 PROPOSITION HHH FACILITIES RFP FOR THE FY 2018-19 BOND ISSUANCE**

The following section outlines the recommended policy changes for the proposed FY 2017-18 Prop HHH Facilities Program RFP for the FY 2018-19 bond issuance. These recommendations include amendments resulting from the Housing and Homeless and Poverty Committees discussion on June 7, 2017, feedback from City departments, the Los Angeles Homeless Services Authority (LAHSA) and additional outreach conducted by the CAO.

### **Stakeholder Outreach**

CAO outreach included meetings with a broad list of stakeholders including FY 2016-17 Expedited RFP proposers, service providers and various other stakeholders, email solicitation of comments, and conference calls as outlined in Attachment 3. In general, stakeholders supported the proposed policies. The two policies that received the most comment were the cap on total funds for the Facilities Program and the requirement that proposers provide a letter of acknowledgment from the appropriate Council Office (numbers one (1) and nine (9) below).

The CAO stressed that the cap is proposed only for the first five (5) Prop HHH bond issuances and that, should recommended projects fully utilize funds under the cap, the COC, AOC, Council and Mayor may increase the funding allocation for the facilities program. As related to the Council Office acknowledgement letter, the CAO explained that it was important that Council Offices be informed regarding that potential projects in their district and that the letter was an acknowledgement letter, not a support letter. The CAO has considered all of the comments and is proposing amendments to the recommended policy changes in the May 16, 2017 report, which are underlined below.

#### **1. Cap for the Facilities Program**

The twenty-five (25) responses to the FY 2016-17 Expedited RFP for the FY 2017-18 bond issuance (FY 2016-17 Expedited RFP) totaled over \$78 million, confirming high demand for homeless facilities funding. However, the CAO recommends that Prop HHH proceeds be prioritized for PSH units. Therefore, a five (5) percent cap is proposed on total funds available for non-City facilities for the first five (5) issuances. This amounts to \$60 million of the \$1.2 billion authorized by Prop HHH. The cap could be re-evaluated as the next four (4) issuances progress. If this recommendation is approved, there would be \$51 million remaining under this cap for the next four (4) issuances. Again, this cap would only apply to

non-City homeless facilities projects.

## 2. Required Minimum Leverage

Many of the proposals received under the FY 2016-17 Expedited RFP requested one hundred (100) percent of the total development costs for the project from Prop HHH. Projects recommended for funding through the FY 2016-17 Expedited RFP provided approximately fifteen (15) percent or greater of the total project costs as leverage. In order to demonstrate proposers' commitment to Prop HHH-funded projects, a minimum of 15 percent leverage per project, regardless of project type, is recommended. This leverage can be provided in the form of cash, equity in the proposer-owned facility, or the value of a long-term lease.

## 3. Minimum/Maximum Request

Based on the range of funding requests received through the FY 2016-17 Expedited RFP, it is clear that guidance on the minimum and maximum funding amounts would be helpful for the proposers. Such a requirement would also help to ensure a greater number of projects can be funded under the proposed cap for the facilities program. The CAO recommends that the minimum Prop HHH funding request be set at \$100,000 and a maximum request be set at \$3.5 million.

## 4. Ensuring the Proposer's Ability to Provide Proposed Services

The FY 2016-17 Expedited RFP generated proposals for a variety of facilities, providing a variety of services. Since Prop HHH Bond proceeds cannot be used for operating costs, it is critical that any facility funded with such proceeds demonstrates operational stability and capacity to provide services. As such, we recommend a new threshold requirement that proposers include a letter of good standing from the proposer's major service funder. If the proposer supports services without public funding, the proposer will be required to provide a letter from their board of directors and documentation confirming that funding and services have been provided for a minimum of two (2) years.

## 5. Coordinating with HCID on Projects Applying For PSH and Facilities Programs

Two of the projects approved for funding in the FY 2017-18 bond issuance received awards under both the PSH and Facilities Programs. To ensure efficient coordination between HCID and the CAO in the future, the Facilities Program RFP will require proposers to indicate whether they are also applying for funds under the PSH Program.

## 6. Multiple Proposals

A number of service providers submitted more than one proposal under the FY 2016-17 Expedited RFP. While the CAO does not recommend limiting the number of applications a proposer may submit, it is important to ensure that any project selected for funding can be effectively implemented. Therefore, the CAO recommends that any proposer submitting more than one proposal include a plan for carrying out multiple projects within the required timeframes, in the event the proposer is awarded funding for more than one project.

## 7. Bonus Points to Incent Facilities Throughout the City

In order to promote an appropriate geographic distribution of facilities providing homeless services, the CAO proposes that the FY 2018-19 Facilities Program RFP provide bonus

points for projects in geographic areas with high need but a lack of appropriate services. In order to receive the bonus points, proposals will be required to demonstrate that the project will provide services in an area with high established need and a documented lack of currently available/appropriate level of services. The CAO will provide links to available data in the RFP. In addition, the RFP's General City Reservations Section notes that the City reserves the right to recommend proposals based on geographic distribution of the projects; the appropriate mix of project types; and such other factors that are in the best interest of the City.

#### 8. Mandatory Attendance for Proposers Conference

Many of the proposals received under the FY 2016-17 Expedited RFP were not project-ready as outlined in the RFP, or not well-developed due to the limited time frame, resulting in many proposals receiving very low scores. To ensure proposers understand the RFP requirements, the RFP will make attendance of at least one Proposers Conference mandatory. The CAO will host two Proposers Conferences during the proposal period.

#### 9. Letter of Acknowledgement from Council Office

To ensure that Council Offices are aware of the agencies applying in their District, the RFP will require a letter of acknowledgement from the appropriate Council Office as a threshold requirement.

#### 10. Budget Contingency

The Bureau of Engineering (BOE), as the construction monitor for facilities funded under Proposition HHH, has recommended that proposers include a contingency line item in all project budgets to address unexpected cost increases. BOE recommends a contingency amount of 10% of the total development cost for new construction and 15% of the total development cost for rehabilitation. The use of the contingency amount will require City approval and in the event that it is not needed, the Prop HHH Facilities Program funding agreement will be amended to reflect actual total funds used at project completion.

#### 11. Potential Project Labor Agreement

The Los Angeles City Council is considering a proposed ordinance that would implement a Project Labor Agreement (PLA) for projects funded with Prop HHH Bond proceeds. The proposed RFP will notify proposers that their projects may be subject to the PLA requirements.

#### 12. Coordinated Entry System

To ensure that clients in projects funded through the Prop HHH Facilities Program are able to access other services and housing available through the Coordinated Entry System (CES), we recommend that the RFP require proposers to describe how their organization participates in the CES and/or plans to participate or coordinate with the CES in their area.

In the RFP, the CAO will also stress that the program allows organizations to partner and submit joint proposals. This will allow organizations with limited experience to partner with more experienced organizations and/or allow for more creative program proposals.

These recommendations are reflected in the proposed eligibility requirements outlined below



for the FY 2017-18 Prop HHH Facilities Program RFP for the FY 2018-19 bond issuance.

- Eligible Applicants/Proposers
  - Nonprofit entities, private entities, or other public entities that are providing services on behalf of the City and within the City boundaries. City-sponsored facilities will not be identified through the RFP process (see page 10).
  - Proposers must have a minimum of two years of experience operating facilities similar to the one for which they are applying. Proposers may partner with another service provider(s) to meet this requirement.
  - Proposers must be qualified to conduct business in California and in good standing with applicable regulatory oversight agencies.
  - Proposers must have attended at least one (1) Proposers Conference.
  
- Eligible Projects
  - Funds may be requested to rehabilitate and/or expand existing sites, or for the acquisition of property and/or the construction of new sites.
  - All facilities must be in compliance with all building and accessibility codes.
  - Proposer must demonstrate capacity and operational stability.
  - Proposer must demonstrate fiscal and budgetary capacity to operate the facility for the term of the service payback loan agreement.
  - Proposer must demonstrate site control.
  - Proposal must demonstrate that the project can begin construction within twelve (12) months of loan agreement execution.
  - Proposal must demonstrate that the project can expend all Prop HHH Facilities Program funds within twenty-four (24) months of loan agreement execution.
  - Proposer must demonstrate leverage amount of at least fifteen (15) percent of the total project cost. This leverage can be provided in the form of cash, the equity in a proposer-owned facility, or the value of the long-term lease.
  - Proposal must not request less than \$100,000 or more than \$3.5 million.
  - Proposer must include a letter of good standing from their major service funder or evidence that service funding has been raised and services provided for a minimum of two (2) years.
  - Proposal must include a letter of acknowledgment from the Councilmember representing the district in which the project is located.
  
- Ineligible Uses of Prop HHH Bond Proceeds
  - Prop HHH Bond proceeds may not be used for program and operational expenses. Proposers must secure funding for programs and operations from other sources.
  - Prop HHH Bond proceeds may not be used to pay for expenditures that are not “brick and mortar” type expenditures. For example, expenditures for equipment, clothing, toiletries, and other consumable goods are not eligible.
  - Prop HHH Bond proceeds may not be used for costs incurred prior to the execution of the Prop HHH Facilities Program Funding Agreement.

Prop HHH Facilities Program FY 2017-18 RFP Process

When the FY 2017-18 RFP review process is complete, the CAO will prepare and present the FY 2018-19 Project Expenditure Plan (PEP) to the COC for review. The COC's recommendations will be transmitted to the AOC for review and approval. The PEP will set forth the list of qualified projects, including a description of each project, its location, and population(s) served. The PEP will describe project costs proposed for Prop HHH Bond financing including loan amounts and eligible City staff costs directly tied to project construction. Further, in order to ensure that the projects adhere to applicable City, State and Federal guidelines related to the eligible use of bond proceeds, project descriptions will detail how non-eligible costs will be financed. The AOC will forward their final recommendations to the City Council and Mayor for final approval. Once the PEP is approved by Council and Mayor, the CAO Debt Management Group will release a report requesting approval of the bond issuance, as outlined in the table below.

**Revised RFP Implementation Calendar**

<u>Task</u>	<u>Estimated Date</u>
RFP is released on LA Business Assistance Network (BAVN)	Target date: August 25, 2017
1st Proposers Conference	September 7, 2017
2nd Proposers Conference	October 4, 2017
Business Inclusion Program (BIP) Outreach Deadline	October 27, 2017
Proposal Due Date	November 3, 2017
Proposers Notified of Determination	Early Dec 2017
Appeals Process	Mid-December 2017
Recommendation and Proposed Project Expenditure Plan (PEP) to COC	March 2018
PEP to AOC	April 1, 2018
PEP to City Council and Mayor for Approval	May 2018
CAO Debt Management Group bond issuance/resolution report approved by City Council and Mayor	By June 15, 2018

Funding Process for City-Sponsored Facilities

City-sponsored facilities projects will not be identified through the RFP process. The CAO recommends using the existing process for identifying City-sponsored facilities. This process begins when a Councilmember introduces a Motion identifying a site for a potential facility. The Council Office, LAHSA, the Board of Public Works Bureau of Engineering (BOE), the CLA and the CAO will evaluate the construction costs and service funding required to develop the proposed facility. Once the facility is deemed viable, staff will recommend that the CAO include the project in the next Prop HHH Facilities Program PEP presented to the COC.

Attachments:

- 1: Prop HHH PSH Loan Program Term Sheet and Approval Process
- 2: City of Los Angeles, 2017 Small Difficult Development Areas (SDDAs)
- 3: Prop HHH Facilities RFP Stakeholder Outreach Summary

**ATTACHMENT 1: PROPOSITION HHH PSH LOAN PROGRAM TERM SHEET & APPROVAL PROCESS**

<p><b>OVERVIEW</b></p>	<p>The Prop HHH Permanent Supportive Housing Loan Program (Prop HHH) is designed to develop permanent supportive housing for homeless individuals and those at risk of homelessness throughout the City. Currently, there are over 34,000 homeless individuals in the City of Los Angeles; citywide there is a shortage of affordable housing units. The program emphasis is on reducing homelessness by creating safe and affordable housing units; and increasing accessibility to a variety of necessary services and treatment programs.</p> <p>Prop HHH invites proposals for innovative approaches. Program rules and regulations are updated annually.</p>
<p><b>THRESHOLD REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• Demonstrated Site Control</li> <li>• Minimum Project size 25 units</li> <li>• Project must commit the greater of 25 PSH units or 50% of the units within the project for PSH for homeless individuals and families</li> <li>• 50% of the PSH Units, must be designated for chronically homeless</li> <li>• Acknowledgement from the Council Office</li> </ul>
<p><b>DEVELOPER REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• Developers who have successfully built and operated Permanent Supportive Housing with Supportive Services. (Development partnerships where at least one developer has met the above requirement)</li> <li>• Commitment to providing services necessary for the successful treatment and long term stability of tenants</li> <li>• Lead developer and managing general partner must clear HCIDLA's background check</li> </ul>
<p><b>PSH SERVICE REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• Project team must include a service provider with at least 24 months' experience providing services to the proposed target populations(s) in permanent supportive housing</li> <li>• Service Provider must be in good standing with LA County Department of Health Services</li> </ul>
<p><b>QUALIFICATIONS</b></p>	<ul style="list-style-type: none"> <li>• New Construction or Rehabilitation projects</li> <li>• Available to non-profit, and for profit sponsors</li> <li>• PSH Loan Program may be used with or without Low Income Housing Tax Credits (LIHTC)</li> <li>• 4% LIHTC projects shall use HCIDLA as the bond issuer</li> <li>• 9% LIHTC projects shall apply to the HCIDLA Affordable Housing Pipeline for an allocation of tax credits from the City.</li> <li>•</li> </ul>
<p><b>LOAN AMOUNT</b></p>	<ul style="list-style-type: none"> <li>• Maximum Loan Amount \$12,000,000 (Minimum Loan Amount \$500,000)</li> <li>• Up to \$140,000 per PSH unit for 4% tax credit transactions</li> <li>• Up to \$100,000 per PSH unit for 9% tax credit projects</li> <li>• Up to \$100,000 per PSH unit for non-tax credit projects</li> <li>• Up to \$80,000 in supplemental funding per unit for FY 2017-18 4% &amp; 9% HHH funding rounds to enable quick start production despite lack of other available PSH funding.</li> </ul>
<p><b>FEES</b></p>	<ul style="list-style-type: none"> <li>• Loan Fee: TBD (Bond conduit issuer fees are separate)</li> </ul>

**ATTACHMENT 1: PROPOSITION HHH PSH LOAN PROGRAM TERM SHEET & APPROVAL PROCESS**

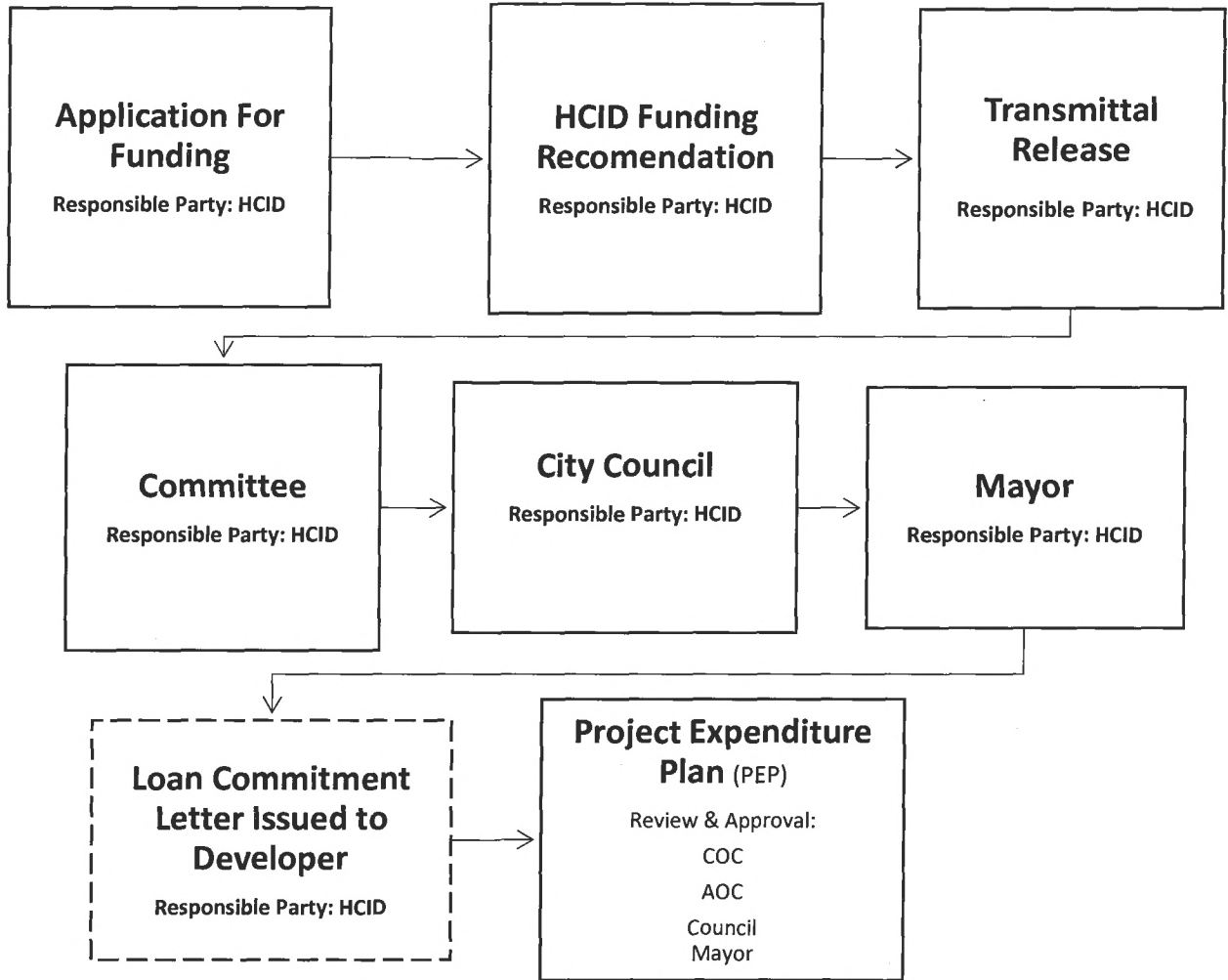
<p><b>RATES &amp; TERMS</b></p>	<ul style="list-style-type: none"> <li>• 3% interest rate, residual receipts, 55 year term/covenant</li> <li>• 2 year conditional commitment</li> <li>• Projects may be subject to a Project Labor Agreement</li> </ul>
<p><b>OTHER FINANCING</b></p>	<ul style="list-style-type: none"> <li>• Loans and grants are encouraged from local government and third parties to leverage funds and achieve project feasibility</li> <li>• If amortizing debt on project, minimum 1.15 debt service coverage ratio (additional reserves may be required)</li> </ul>
<p><b>OCCUPANCY REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• Permanent Supportive housing units for individuals and families who are homeless or chronically homeless, and either             <ul style="list-style-type: none"> <li>○ (1) "extremely low income" up to 30% of the Area Median Income</li> <li>○ (2) "very low income" up to 50% of the Area Median Income as established and revised from time to time by HUD</li> </ul> </li> <li>• Affordable Housing units for individuals and families who are             <ul style="list-style-type: none"> <li>○ (1) "extremely low income" up to 30% of the Area Median Income, or</li> <li>○ (2) "very low income," and/or;</li> <li>○ (3) "low income" which includes income up to 80% Area Median Income; however, no more than 20% of funds shall be used for such purposes</li> </ul> </li> </ul>
<p><b>TENANT SELECTION</b></p>	<ul style="list-style-type: none"> <li>• Use of the LA County Coordinated Entry System (CES) or similar system to preference vulnerable populations</li> <li>• Comply with all applicable tenant guidelines and regulations</li> </ul>
<p><b>HCIDLA PRIORITIES</b></p>	<ul style="list-style-type: none"> <li>• Projects with more than 50% Permanent Supportive Housing units; 1/2 of which designated for Chronically Homeless</li> <li>• Projects containing 50+ total units preferred</li> <li>• Projects located near Transit Oriented Development (TOD) areas</li> <li>• Prioritize projects requesting less than 75% of maximum funding allowed; followed by 85% and 95% respectively (thus maximizing leveraging of funds)</li> <li>• Access to services</li> <li>• Geographic distribution throughout the City of Los Angeles. Full 15% developer fee allowed in Difficult to Develop Areas as an incentive.</li> </ul>

ATTACHMENT 1: PROPOSITION HHH PSH LOAN PROGRAM TERM SHEET & APPROVAL PROCESS

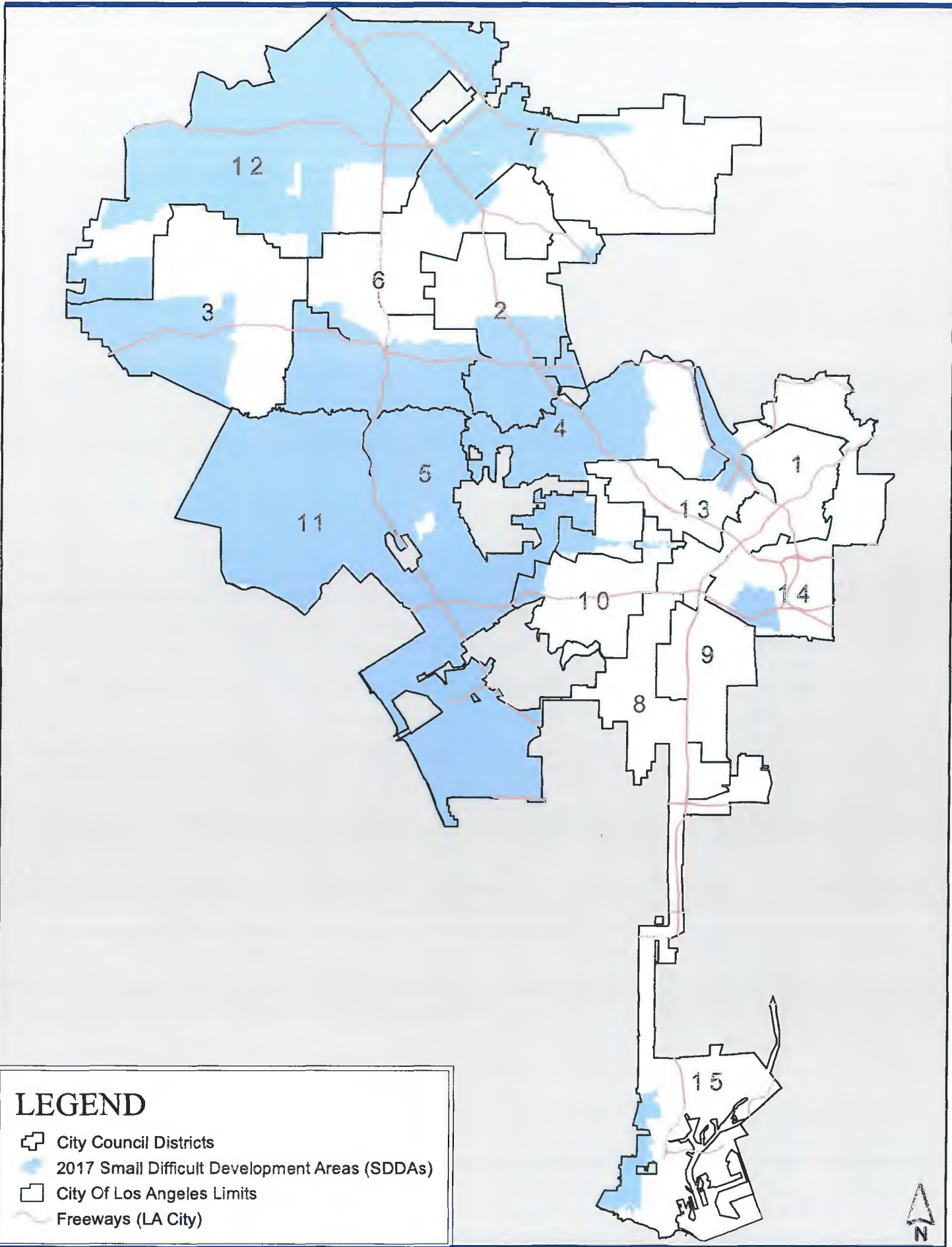
DEFINITIONS

- **Affordable Housing Development:** A structure or set of structures with rental housing units restricted by department regulations and operated under landlord-tenant law, with common financing, ownership and management
- **Permanent Supportive Housing Projects (PSHP):** A development that provides permanent housing and supportive services to extremely low income, and very low income, homeless special needs individuals and veterans, homeless families, homeless transition-aged youth (TAY), homeless seniors, homeless disabled, and homeless frequent users of Los Angeles County services.
- **Homeless:** An individual who lacks a fixed, regular, and adequate nighttime residence
- **Chronically Homeless:** An individual who has been homeless for at least 1 year, or on 4 separate occasions in the last 3 years
- **Homeless at risk:** An individual or family who has income below 60% of the AMI and has insufficient resources immediately available to maintain housing stability
- **Assisted Unit:** A housing unit that is subject to specific rent, occupancy and other restrictions per the funding program regulations
- **MHSA eligible tenants:** A homeless or at risk of homeless individual who has a mental illness
- **Veterans:** Any person who actively served in any US military branch and who has been released regardless of discharge status

**ATTACHMENT 1: PROPOSITION HHH PSH LOAN PROGRAM TERM SHEET & APPROVAL PROCESS**



# Attachment 2: 2017 Small Difficult Development Areas (SDDAs)



## LEGEND

- City Council Districts
- 2017 Small Difficult Development Areas (SDDAs)
- City Of Los Angeles Limits
- Freeways (LA City)



**Attachment 3 - Prop HHH Facilities RFP Stakeholder Outreach Summary**

<b>Group Name</b>	<b>Group Type</b>	<b>Service Planning Area (SPA)<sup>1</sup></b>	<b>Date</b>	<b>Location</b>
Prop HHH FY 2016-17 Expedited RFP Proposers	The twenty-five (25) organizations that submitted proposals in response to the FY 2016-17 Expedited RFP	N/A	6/16/2017	Office of the CAO
Prop HHH Facilities Program RFP Distribution List <sup>2</sup>	All	N/A	6/19-6/30/2017	Feedback requested via email
Home for Good Policy Team	Coordination: Fundors/Foundations, LAHSA, academics, County Homeless Initiative, County Departments, Mayor, City Homeless Coordinator	N/A	7/5/2017	United Way of Greater Los Angeles Home for Good Policy Team Monthly Meeting
San Fernando and Santa Clarita Valley Homeless Coalition Hollywood 4WRD ELA/Boyle Heights Coordinating Council Westside Shelter and Hunger Coalition	Homeless Coalitions that did not meet in July	2 - San Fernando 4 - Metro LA 5 - West	7/12/2017	Conference Call
Central Providers Collaborative	Homeless Coalition <sup>3</sup>	4 - Metro LA	7/13/2017	Central Providers Collaborative Monthly Meeting
SPA 6 Homeless Coalition	Homeless Coalition <sup>3</sup>	6 - South	7/14/2017	SPA 6 Homeless Coalition Monthly Meeting
South Bay Coalition to End Homelessness	Homeless Coalition <sup>3</sup>	8 - South Bay	7/14/2017	Conference Call
Northeast LA Homeless Coalition	Homeless Coalition <sup>3</sup>	4 - Metro LA	7/15/2017	Northeast LA Homeless Coalition Monthly Meeting

1 - Outreach was conducted to Homeless Coalitions in Service Planning Areas (SPAs) 2, 4, 5, 6 and 8, which include portions of the City of Los Angeles. Staff attended regular meetings of those Coalitions that met in July and held conference calls to solicit input from Coalitions that did not have scheduled meetings in July. Coalitions invited representatives

2 - The Prop HHH Facilities Program RFP Distribution List includes the following: (1) The CAO FY 2016-17 Expedited RFP distribution list, which includes the Housing and Community Investment Department's Permanent Supportive Housing (PSH) distribution list, City Department homeless strategy coordinators, City Council District homeless deputies; (2) all attendees at the FY 2016-17 Expedited RFP Proposers Conference; (3) all persons who downloaded the FY 2016-17 Expedited RFP from the Los Angeles Business Assistance Virtual Network (LABAVN); (4) all persons who submitted a proposal to the FY 2016-17 Expedited RFP; (5) all persons who submitted questions regarding the Facilities Program to the Prop HHH Facilities email account (prophhh.cao@lacity.org).

3 - Homeless Coalitions are groups of service providers, public agencies, local leaders, community members and government representatives that meet regularly to coordinate service delivery and efforts to address homelessness in their SPA.