



Housing Strategies & Services Division
Housing + Community Investment Department of Los Angeles

Date: 3/28/2018
Submitted in Housing Committee
Council File No: 17-1258
Item No.: 30
Deputy: Adam R. Lid



“NOAH” in Los Angeles

Overview of the Naturally Occurring Affordable Housing Loan Program

Housing + Community Investment Department of Los Angeles
March 28, 2018

Gentrification in LA

**Ellis Properties & Units
2001 - January 31, 2018**

| Year | Properties | Units |
|-------|------------|-------|
| 2003 | 184 | 376 |
| 2004 | 404 | 1,208 |
| 2005 | 399 | 1,073 |
| 2006 | 426 | 1,363 |
| 2007 | 422 | 1,770 |
| 2008* | 48 | 217 |

Hypothetical Model



- ▶ **BUILDING FOR SALE**
- ▶ **\$1,190,000 / \$170,000 unit**
- ▶ **7Units**
- ▶ **1399 S. Ardmore LA, CA 90006**

NOAH LOAN – Los Angeles

HYPOTHETICAL FINANCING STRUCTURE





ACQUISITION

| | |
|----------------|--------------|
| Purchase Price | \$ 1,190,000 |
| # Units | 7 |

| Acquisition / Rehab Costs | | Per Unit |
|---------------------------|---------------------|-------------------|
| Purchase Price | \$ 1,190,000 | \$ 170,000 |
| Rehabilitation Cost | \$ 420,000 | \$ 60,000 |
| Developer Fee | \$ 105,000 | \$ 15,000 |
| Total | \$ 1,715,000 | \$ 245,000 |

| NOAH LOAN | | Per Unit |
|--------------------------|---------------------|-------------------|
| New Generation Fund NOAH | \$ 1,130,500 | \$ 161,500 |
| Equity Contribution | \$ 164,500 | \$ 23,500 |
| HCIDLA Soft Loan | \$ 210,000 | \$ 30,000 |
| Cal HFA Soft Loan | \$ 210,000 | \$ 30,000 |
| TDC | \$ 1,715,000 | \$ 245,000 |


NOAH LOAN – Los Angeles
HYPOTHETICAL FINANCING STRUCTURE





PERM FINANCING

| | | |
|---------------------------------------|---------------------|-------------------|
| Purchase Price | \$ 1,190,000 | |
| # Units | 7 | |
| Permanent Financing | | |
| Cal HFA Mortgage (40 yr term @ 4.78%) | \$ 1,130,500 | \$ 161,500 |
| Developer Equity | \$ 164,500 | \$ 23,500 |
| NOAH Soft Debt (Residual Receipts) | \$ 420,000 | \$ 60,000 |
| Total Perm | \$ 1,715,000 | \$ 245,000 |
| Supportable Rents | | |
| Required Debt Service | \$ 6,157 | 1.15 DCR |
| Average Rent Required | \$ 880 | /unit |

| | | |
|--------------------------------|-------|---------|
| Area Media Income (1br) | | |
| 30% | 50% | 80% |
| \$541 | \$901 | \$1,442 |

The “NOAH” Learning Curve


- ▶ Los Angeles Rent Stabilization Ordinance
- ▶ Income of tenants
- ▶ Current rents
- ▶ Rules for renovation with tenants in place
- ▶ Cost of Rehabilitation
- ▶ Speed of Underwriting
- ▶ Effective Marketing
- ▶ Opportunities in “Fast Moving” markets



NOAH LAUNCH DATE: SUMMER 2018

