

TRANSMITTAL

To:

THE COUNCIL

Date: 11/3/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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Council District: Citywide
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October 30, 2017

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

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO ESTABLISH THE NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH) LOAN PROGRAM.

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) proposes to launch a new, creative and collaborative program to preserve and stabilize the city of Los Angeles' (LA) affordable housing stock. A significant amount of affordable housing in the city operates without subsidy and is referred to as Naturally Occurring Affordable Housing (NOAH). NOAH multifamily rental properties provide housing at rates affordable to low-and moderate-income households. However, many suffer from poor maintenance and negligent management, making them unappealing, unfit and unsafe for occupancy. The NOAH loan program has been developed to provide mission-driven affordable housing providers financing tools to acquire, rehabilitate and maintain smaller multifamily properties as affordable housing for the long term.

The demand for NOAH remains strong in the housing market due to LA's record low vacancy rates. With the ever-growing demand for rental housing, many NOAH properties are under threat of conversion to market-rate, luxury units, placing families and communities at risk of displacement. Targeting areas of the city facing gentrification pressures, the NOAH program will add an important and valuable tool to the affordable housing preservation toolchest.

To make NOAH possible, HCIDLA has developed the NOAH loan product, utilizing the City-supported New Generation Fund (NGF), to help mission-driven organizations acquire, and hold market-rate multi-family properties, and by so doing, preserving and stabilizing the existing housing stock. To maximize the City's limited resources, HCIDLA has also partnered with the California Housing Finance Agency (CalHFA) to leverage additional funding for the program.

In order to formalize the partnership with CalHFA, HCIDLA is requesting authority to enter into a Memorandum of Understanding (MOU) between HCIDLA and CalHFA (Attachment 2, DRAFT MOU). This transmittal also requests position authority for one Management Analyst, to be fully funded by the NOAH Program loan fund, to help ensure the success of the NOAH Program.

PRESERVATION AND STABILIZATION

HCIDLA's NOAH program is designed to finance the acquisition and moderate rehabilitation of small to medium sized (5 to 40 units), market-rate multifamily properties, and to ensure that the properties remain affordable to low- and moderate- income households, long-term affordability restrictions will be placed on each rehabilitated property. The program will have several advantages to traditional heavily subsidized new construction projects:

- Keeps families and communities intact and in their existing homes;
- Improves the substandard properties through rehabilitation;
- Provides long-term commitment to affordability; and,
- Total project costs are much lower than new construction.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your Office schedule this transmittal for consideration at the next available 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:
 - A. AUTHORIZE the General Manager of HCIDLA, or designee, to establish the NOAH Loan Program based on the program design included herein;
 - B. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute a Memorandum of Understanding (MOU) with CalHFA. The MOU establishes protocols of cooperation, terms, conditions and oversight of the NOAH Loan Program, subject to review and approval by the City Attorney as to form;
 - C. AUTHORIZE by resolution the following position within HCIDLA for the period of January 1, 2018 through June 30, 2018, subject to position allocation by the Personnel Department:

<u>Number</u>	<u>Class Code</u>	<u>Classification Title</u>
1	1538	Management Analyst

- D. AUTHORIZE the City Controller to:
 1. Establish account 43P645- NOAH Loan Program, within the Affordable Housing Trust Fund No. 44G;
 2. Transfer appropriation within the Affordable Housing Trust Fund No. 44G as

follows:

<u>From</u>	<u>Amount</u>
Account 43M357- Local Funding for Affordable Housing	\$ 1,821,021
<u>To</u>	
Account 43P645- NOAH Loan Program	\$ 1,729,786
Account 43P143- Housing and Community Investment	67,426
Account 43P299- Reimbursement of General Fund Costs	23,809
Total	\$ 1,821,021

3. Increase appropriation in General Fund 100/43 as follows:

	<u>Amount</u>
Account 001010- Salaries General	\$ 56,823
Account 006010- Office and Administrative	3,500
Account 006030- Leasing	7,103
Total	\$ 67,426

E. INSTRUCT the City Clerk to place on the agenda for the first regular meeting on or after **July 1, 2018**, the following:

AUTHORIZE the City Controller to transfer appropriation within the Affordable Housing Trust Fund No. 44G as follows:

<u>From</u>	<u>Amount</u>
Account 43M357- Local Funding for Affordable Housing	\$ 178,979
<u>To</u>	
Account 43TBD- Housing and Community Investment	\$ 130,409
Account 43TBD- Reimbursement of General Fund Costs	48,570
Total	\$ 178,979

AUTHORIZE the City Controller to increase appropriation in General Fund 100/43 as follows:

	<u>Amount</u>
Account 001010- Salaries General	\$ 115,919
Account 006030- Leasing	14,490
Total	\$ 130,409

F. AUTHORIZE the General Manager of HCIDLA, or designee, to prepare Controller's instructions for any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement the instructions.

BACKGROUND

Housing prices in the region have grown four times faster than incomes since 2010. As a result, Los Angeles has a significantly higher percentage of renters than other major U.S. cities, with approximately 54% of Angelenos renting. Unfortunately for renters, the inflation-adjusted median rent in Los Angeles County grew in the years between 2000 to 2012 by nearly 25%, while inflation-adjusted incomes declined by 9%, according to the California Housing Partnership Corporation. The combined effect of rising rents and decreasing real income generated the dramatic growth of “rent burdened” households. Rent burdened households are households that pay more than 30% of their income in rent, including utilities. A 2015 UCLA study concluded that the average renter in the city of Los Angeles, which has the highest percentage of renters compared to homeowners in the country, devotes 47% of his/her income to rent, confirming that Los Angeles is the least affordable rental market in the country.

NOAH LOAN PROGRAM

The NOAH Loan Program has been developed to provide mission-driven affordable housing sponsors the ability to acquire and moderately rehabilitate smaller multifamily properties and to preserve them as income restricted affordable housing for the long term. The NOAH Loan Program brings together HCIDLA, NGF and CalHFA to provide a loan program that makes available three types of funding:

- An acquisition and moderate rehabilitation loan from NGF;
- A subordinate residual receipts loan provided by HCIDLA and CalHFA; and,
- A 40 year low-interest mortgage offered by CalHFA.

Acquisition and Predevelopment Loan

The NGF has provided acquisition capital for affordable housing in Los Angeles since 2008. Working with HCIDLA, the NGF has developed a new loan product that will allow qualified affordable housing providers to borrow funds to acquire and rehabilitate existing multifamily housing. This new NOAH loan product offered by NGF reduces the cost of capital for borrowers and streamlines financing for rehabilitation. The NGF loan product has a maximum term of four years. Accordingly, sufficient permanent financing must be secured to repay NGF’s loan prior to the four-year maturity date. The recommended sources of permanent financing are a NOAH subordinate residual receipt loan, provided jointly by HCIDLA and CalHFA, and a 40 year permanent loan provided by CalHFA.

HCIDLA and CalHFA Residual Receipts Loan

The NOAH subordinate residual receipt loan is a long term subordinate loan of up to \$30,000 per unit, provided by HCIDLA that will be matched by CalHFA. The two agencies will be acting as co-equal lenders. HCIDLA recommends initial funding for the NOAH residual receipt loan program of \$2 million to assist in closing the financing gaps of NOAH acquisitions. HCIDLA further recommends entering into a partnership with the CalHFA who will make available an additional \$2 million in subsidy to jointly fund the new NOAH program. Subsidy from both agencies will be provided on a matching basis at the time of the acquisition closing, alongside the NGF loan.

CalHFA 40 Year Low-interest Loan

Following the rehabilitation phase of a project, CalHFA will also make available a 40 year mortgage loan at favorable rates to NOAH projects, enabling the borrower to repay the NGF loan, which will in turn recycle the proceeds into a new NOAH Loan transaction. Both its short term and long term loans will be underwritten by CalHFA at the beginning of the loan request, creating a streamlined borrowing program for the preservation of affordable housing prior to the closing of the NGF acquisition/rehabilitation loan. CalHFA will provide a forward takeout commitment to fund its permanent mortgage. Combined, these three financial tools will make NOAH acquisitions financially feasible.

The Term Sheet for the NGF loan and CalHFA Permanent Take-Out Loan Program (Attachment 1) are included herein. Once properties are acquired with a NGF short-term acquisition loan, mission-driven organizations will limit rent inflation of market-rate multifamily properties and add units into the City's affordable housing stock.

In order to formalize the partnership with CalHFA, HCIDLA is requesting approval of the attached HCIDLA-CalHFA MOU. The MOU establishes protocols of cooperation, terms, conditions and oversight under the NOAH Loan Program. The MOU will authorize CalHFA to lend money and execute covenants on the City's behalf, and monitor the covenants. A NOAH Program loan committee shall be established comprised of members representing CalHFA and HCIDLA. The City will maintain oversight control of the projects through reports obtained from CalHFA, and ensure that the NOAH program and policy objectives are maintained. HCIDLA will also perform background checks on NOAH Program applicants, and shall maintain veto authority on the NOAH Program loan committee.

Affordability Restrictions

To qualify for the NOAH Loan program, affordable housing projects must establish long term affordability restrictions for the buildings at an overall average of 80% of the Area Median Income. CalHFA will record 55 year covenants on the property, which will be subject to CalHFA monitoring. Restricted properties will be able to apply for an affordable housing exemption from property taxes. HCIDLA is currently working with the Los Angeles County Assessor's Office to streamline the processing of affordability exemptions for NOAH Projects.

NOAH Loan Program Details

- Target Property Type: Occupied rental buildings in areas of the city experiencing above average rent growth;
- Eligible Uses: Complement NGF's acquisition financing (or complement the permanent financing);
- Scope of Rehab: Borrowers can use NGF loan proceeds to complete Systematic Code Enforcement Program (SCEP) identified repairs, Department of Building and Safety required seismic retrofits, and required ADA-related improvements, if any;
- Loan Limit: \$30,000 per Restricted Unit;

- Restricted Units: NOAH Program affordable housing projects must establish long term affordability restrictions for the buildings averaging 80% of the Area Median Income. HCIDLA and CalHFA will record 55 year covenants on the property, which will be subject to CalHFA monitoring;
- Re-payment of Loan: NOAH loans will be due upon refinancing or sale. Repayment of the loan will not result in the removal of the Restricted Unit covenant prior to the expiration of the 55-year affordability period;
- Pre-payment: The Loan can be pre-paid at any time. However, pre-payment of the loan will not result in the removal of the Restricted Unit covenant prior to the expiration of the 55-year affordability period.

Unless otherwise specifically identified, or deemed not applicable by the City Attorney, HCIDLA's NOAH subordinate residual receipt loan terms will be consistent with the terms of HCIDLA loans issued through the Affordable Housing Trust Fund, including, but not limited to:

- Interest Rate: 10 year U.S. Treasury, plus 2.10%-2.85%;
- Loan Term: 55 years;
- Loan Payments: Deferred, 50% of annual cash flow after permanent loan debt service and operating expenses;
- Subordination: City may subordinate loan to acquisition and/or future permanent financing.

CalHFA, on the City's behalf, will place a rent-restricting covenant on title to ensure long-term affordability on average at 80% of AMI of the units in each building. The rent-restricting covenant will have the additional benefit of qualifying the property for a partial or full property tax exemption. The property tax exemption will serve to boost cashflow and assist in long-term financial feasibility of the property.

HCIDLA Partnership with the California Housing Finance Agency (CalHFA)

To cover the afore-mentioned financing gap, a permanent loan with more beneficial business terms is required. To that end, HCIDLA is partnering with CalHFA to provide the permanent financing. Please refer to Attachment 1: Los Angeles NOAH Loan Program Term Sheet for more details on the loan product. CalHFA's Permanent Take-Out Loan Program is summarized below:

- Interest Rate: 10 year U.S. Treasury, plus 2.10%-2.85%;
- Loan Term: 40 years;
- Loan-to-Value: Up to 90% LTV.

To expand the program funding, CalHFA will match the City's \$2 million in subsidy with \$2 million of CalHFA subsidy. The terms of the CalHFA subsidy match are summarized below:

- Subordinated Subsidy: \$2 million match to HCIDLA's subsidy.

In order to best leverage its limited preservation resources, HCIDLA recommends that the City enter into a partnership with CalHFA to provide permanent financing at favorable terms and leverage an additional \$2 million in subsidy. The partnership will be documented in an MOU similar to the one attached to this transmittal as Attachment 2. The final MOU will be reviewed and approved by the City Attorney as to form.

Combined, these strategies will close the financing gap of NOAH acquisitions through the NGF, and make widespread NOAH acquisitions financially feasible.

PROJECTED IMPACT

The NOAH Loan Program will enable mission-driven affordable housing operators to acquire and preserve market-rate, multi-family rental properties. The partnership with CalHFA will serve to enhance the ability to close the permanent financing gap. HCIDLA anticipates the NOAH Loan Program will be able to preserve and protect approximately 200 units.

TIMELINE

NOAH Loan Program established	4th Quarter 2017
Partnership with CalHFA formalized	4th Quarter 2017
1 st units preserved	1st Quarter 2018

STAFFING

HCIDLA requests one Management Analyst to be fully funded by the NOAH Loan Program to manage the administration of the program. Due to the City's priority being placed on new housing development, staffing for preservation programs is excessively constrained. To ensure the success of the new program, HCIDLA is seeking authority for one Management Analyst position.

The NOAH loan program was set up to be implemented jointly by the lending partners: HCIDLA, New Generation Fund and CalHFA. For this reason the NOAH loan program is requesting administrative staff, but is not requesting a finance officer for the program. The staff request is small relative to other programs of this size and will leverage staff and resources from outside partners. The Management Analyst will report to a Rehabilitation Project Coordinator II (RPC II) who manages the Special Projects Unit, which oversees development and implementation of new housing initiatives. It is anticipated that the NOAH Loan Fund will be aligned with the USC Affordable Housing Fund, and the staffing plan for both programs will be coordinated within the same unit.


The Management Analyst position duties will include marketing the NOAH Loan Program to affordable housing developers, and coordinating with various City departments, HCIDLA staff, City Attorney staff, Council District staff and community organizations in the administration and management of the NOAH Loan Program. The Management Analyst will also be responsible for drafting NOAH Loan Program policies and procedures, coordinating the MOU with CalHFA and ensuring the goals and objectives of the program are met. The Management Analyst will be responsible for ensuring the affordability restrictions and NOAH Loan Program regulatory agreements are properly enforced and tracked on HCIDLA's asset management system.

Additional duties will include monitoring the program budget and expenditures and reporting program outcomes. The Management Analyst position is requested for the period of January 1 through June 30, 2018. Staffing costs for the Management Analyst position for fiscal year 2019 will also be provided from the \$2.0 million NOAH fund. Total staffing costs are approximately \$270,214. The position description for the Management Analyst is included as Attachment 3.

FISCAL IMPACT STATEMENT

As part of the City's Fiscal Year 2015-16 budget, HCIDLA was allocated \$5 million in General Funds for the Affordable Housing Trust Fund. Of the \$5 million, \$2 million is reallocated to the new NOAH Loan Program.

Prepared by:




GEORGE GUILLEN
Rehabilitation Project Coordinator II

Reviewed by:




HELMI HISSERICH
Director

Reviewed by:



SEAN L. SPEAR
Assistant General Manager

Approved by:



LAURA K. GUGLIELMO
Executive Officer

Approved by:



RUSHMORE D. CERVANTES
General Manager

Attachments:

1. Draft Los Angeles NOAH Loan Program Term Sheet
2. Draft HCIDLA-CalHFA MOU
3. Management Analyst, Position Description



LOS ANGELES NOAH* LOAN PROGRAM

*Naturally Occurring Affordable Housing

<p>Program Description</p>	<p>The Los Angeles NOAH loan program (NOAH Loan) is a partnership between the Los Angeles Housing & Community Investment department (HCIDLA), the New Generation fund (NGF) and Cal HFA.</p> <p>The NOAH Loan program provides competitive acquisition, permanent, rehabilitation and subsidy financing for small to medium multifamily housing projects in the City of Los Angeles. The goal of the NOAH Loan Program is to promote mixed income neighborhoods, by preserving long term affordability in communities experiencing gentrification by restricting existing units to between 50% and 120% of county Area Median Income (“AMI”). Existing projects adding new affordability restrictions are eligible for this program.</p> <p>NOAH Loan program will pair an acquisition loan from the New Generation Fund with CalHFA’s permanent loan and a subordinate loan sponsored by Cal HFA and HCIDLA to incentivize the preservation of multifamily housing projects that serve a range of lower to moderate income Los Angeles renters.</p>
<p>Qualifications</p>	<ul style="list-style-type: none"> • Available to for-profit, non-profit sponsors with successful track records in developing affordable housing. • NOAH Loan program is not designed to be used with Low Income Housing Tax Credits.
<p>NEW GENERATION FUND – Acquisition/Rehabilitation Loan</p>	
<p>Acquisition Loan Amount</p>	<ul style="list-style-type: none"> • Maximum loan amount of \$10,000,000 • Maximum 95% of as-is value for for-profit sponsors • Maximum 120% of as-is value for non-profit sponsors • Sponsors may use loan proceeds up to \$30,000 per unit for hard costs, not to exceed 25% of the total loan amount
<p>Acquisition Loan Term</p>	<ul style="list-style-type: none"> • Up to 36 months, with up to 12 months of extensions
<p>Acquisition Loan Rate</p>	<ul style="list-style-type: none"> • Fixed and variable rates from approximately 4.90% to 6.10% (indexed to LIBOR)
<p>Acquisition Loan Fees</p>	<ul style="list-style-type: none"> • Loan Fee: up to 1.5%
<p>Acquisition Loan Guarantee</p>	<ul style="list-style-type: none"> • 25% for Non-Profit Sponsor • 100% for For-Profit Sponsor • 100% recourse to borrower

HCIDLA & CAL HFA – Subordinate Loan	
Subordinate Loan Amount	<ul style="list-style-type: none"> • Maximum loan amount of \$60,000 per restricted unit • Loan size based on project need and affordability level compared to local market • Loan will be funded at acquisition loan closing
Subordinate Loan Term	<ul style="list-style-type: none"> • Up to 55 years • Residual receipts are source of repayment • Due upon prepayment of Permanent Loan
Subordinate Loan Rate	<ul style="list-style-type: none"> • 3.00%
Subordinate Loan Fees	<ul style="list-style-type: none"> • 1.00% of the loan amount
CAL HFA – Perm Loan	
Permanent Loan Amount	<ul style="list-style-type: none"> • Minimum loan amount of \$1,000,000 • Minimum 1.15x for debt service coverage ratio • Maximum 90% of restricted value • Up to 10% reduction in loan amount between commitment and closing
Permanent Loan Term	<ul style="list-style-type: none"> • Up to 40 years • Fully amortizing
Permanent Loan Rate	<ul style="list-style-type: none"> • 10 year US Treasury plus 1.85% to 2.85% • Rate locked up to 30 days prior to construction loan close • Rate can be locked for up to 36 months
Permanent Loan Fees	<ul style="list-style-type: none"> • Application Fee: \$5,000 non-refundable, due at time of application submittal • Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at loan close) • Credit Enhancement Fee: included in the interest rate • Trustee Fee: included in the interest rate • Legal Fee: \$10,000, due at loan closing
Permanent Loan Prepayment	<p>The loan may be prepaid at par after 15 years of the permanent loan period. However, the loan may be prepaid after 10 years of the permanent loan period subject to a yield maintenance calculation of:</p> <ul style="list-style-type: none"> • 5% of the principal balance after the end of year 10 • 4% of the principal balance after the end of year 11 • 3% of the principal balance after the end of year 12 • 2% of the principal balance after the end of year 13 • 1% of the principal balance after the end of year 14 <p>All prepayments require a written 120-day notice to CalHFA.</p>

Permanent Loan Required Reserves	<ul style="list-style-type: none"> • Replacement Reserve: Initial cash deposit and annual cash flow deposits are required. These vary by project type and PNA. (Typical amounts range between \$800 to \$1,200 initial deposit and \$300 to \$600 per unit per year) • Operating Expense Reserve: 3 months of project expenses due at permanent loan closing (letter of credit or cash). • Impounds: One year's prepaid earthquake, hazard insurance premiums, and property tax assessments. • Other reserves as required (at CalHFA's discretion)
Credit Enhancement	<p>The NOAH permanent loan will be credit-enhanced through CalHFA's FHA Risk Sharing program. Credit enhancement fees are included in the permanent loan rate.</p>
Conversion Requirements	<ul style="list-style-type: none"> • 90% stabilized occupancy for 90 days • Property operations are sufficient to pay operating expense and the required debt service at a 1.15 debt service coverage ratio • Minimum occupancy restrictions of 20% at 50% AMI or 40% at 60% AMI must be met
Other Subordinate Financing	<p>All non-CalHFA loans, leases, development and regulatory agreements must be coterminous and subordinate to the CalHFA financing. Any loans with amortized debt will be included in the minimum 1.15x debt service coverage ratio calculation.</p>
Occupancy Requirements	<ul style="list-style-type: none"> • Must maintain either (a) 20% of the unit types must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the unit types must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"). • The affordability restrictions must average to no more than 80% AMI. • In total, at least 50% of the units must be restricted at 120% of AMI or below. • These restrictions will remain in effect for the greater of 40 years or as long as any of the loans is outstanding.

Due Diligence

All of the following due diligence items are required and shall be provided at the Owner/Borrower's expense:

- Property appraisal (construction lender's appraisal may be acceptable)
 - Physical Needs Assessment (PNA) for rehabilitation projects with "Needs Over Time" analysis for 20 years
 - Construction lender's PNA is acceptable subject to CalHFA review and approval
 - Phase I and Environmental Site Assessment report including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation)
 - Market study
 - Termite/Dry Rot reports by licensed company
 - Seismic review and other studies may be required at lenders' discretion
-

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.

07/16

DRAFT-MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the “Memorandum”) is made as of this ____ day of Decemer, 2017, by and between the City of Los Angeles, a municipal corporation, by and through the Housing and Community Investment Department (“HCIDLA”), and the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California (“CalHFA”).

I. BACKGROUND

CalHFA and HCIDLA are committed to providing and/or facilitating low-cost acquisition, rehabilitation and permanent financing for affordable multifamily housing for low-income and very low-income individuals and families, including seniors.

CalHFA and HCIDLA desire to enter into this Memorandum to establish the parameters of a rental housing program to provide affordable housing to residents in the City of Los Angeles, wherein HCIDLA and HCIDLA will provide acquisition and rehabilitation financing and CalHFA will provide permanent financing. Additionally, both HCIDLA and CalHFA will commit up to Two Million Dollars (\$2,000,000) each, for a total of Four Million Dollars (\$4,000,000), of gap financing to, in equal parts, subsidize the permanent financing of the projects financed pursuant to this rental housing program, as may be necessary. HCIDLA and CalHFA agree to work cooperatively to develop financing structures to permit the development and preservation of multifamily housing units.

II. RESPONSIBILITIES OF THE PARTIES

- A. Responsibilities of HCIDLA. Pursuant to this Memorandum, HCIDLA would in a manner acceptable to CalHFA:
- i. work with CalHFA in the selection and underwriting of Eligible Projects (as discussed in Section III below);
 - ii. commit to funding a total of Two Million Dollars (\$2,000,000) to subsidize the projects financed via a long-term subordinate loan pursuant to the rental housing program contemplated by this Memorandum;
 - i. provide one full time staff person at HCIDLA to manage the NOAH loan program paid for from the Two Million Dollar (\$2,000,000) commitment to the program by the City of Los Angeles
 - iii. prior to the closing of the NOAH loan, review CalHFA’s underwriting and agree to the amount of subsidy to be equally shared with CalHFA, up to \$30,000 each, pursuant to the underwriting for each project, and to commit and subsequently provide subsidy financing in an amount as may

be necessary to support the minimum debt service coverage ratio required by CalHFA's Permanent Take-Out Loan Program ("Subsidy Loans"); and

- iv. provide information reasonably requested by CalHFA with respect to any Rehabilitation Loan or Subsidy Loan made by HCIDLA and the related project.
- v. HCIDLA shall maintain oversight control of the projects through reports obtained from CalHFA and by ensuring NOAH Program policy objectives are maintained. HCIDLA will also perform background checks on NOAH Program applicants and shall maintain veto authority on NOAH Program loans.

B. Responsibilities of CalHFA. Pursuant to this Memorandum, CalHFA would in a manner acceptable to HCIDLA:

- ii. underwrite, originate and service multifamily mortgage loans to provide first lien permanent financing primarily for fixed-income, mixed-income, affordable, low-income or very low-income housing pursuant to CalHFA's Permanent Take-Out Loan Program (individually a "Permanent Loan" and collectively "Permanent Loans");
- iii. to work with HCIDLA in the selection and underwriting of Eligible Projects (as discussed in Section III below);
- iv. commit to funding a total of Two Million Dollars (\$2,000,000) to subsidize the permanent financing of projects financed pursuant to the rental housing program contemplated by this Memorandum;
- v. determine, with the mutual agreement of HCIDLA prior to the closing of the NOAH loan the appropriate amount of subsidy to be equally shared with HCIDLA pursuant to the underwriting for each project and to commit and subsequently provide subsidy financing in an amount, up to \$30,000 each, to support the minimum debt service coverage ratio required by CalHFA's Permanent Take-Out Loan Program ("Subsidy Loans"); and
- vi. transfer a pro-rata share of subsidy loan repayments to HCIDLA.
- vii. provide information reasonably requested by HCIDLA with respect to any Permanent Loan or Subsidy Loan made by CalHFA and the related project.

NOAH Loans, Permanent Loans and Subsidy Loans shall be collectively referred to herein as the "Loans".

III. PROGRAM DESCRIPTION

- A. Eligible Projects. The Loans originated under this Memorandum shall be for acquisition, rehabilitation, preservation of affordable housing, including “Naturally Occurring Affordable Housing” or “NOAHS” that were previously not restricted to affordable incomes and rents, or the creation of new affordable housing, in existing multifamily housing projects, subject to federal and state law requirements for affordability restrictions, including but not limited to California Health and Safety Code § 51335 and may be made for projects currently held in the portfolio of either HCIDLA or CalHFA.
- B. Financial Terms. The terms of the Rehabilitation and Subsidy Loans made by CalHFA must be acceptable to HCIDLA in its sole discretion, prior to its commitment to provide permanent financing. CalHFA’s commitment to finance its Permanent and Subsidy Loans must be acceptable to HCIDLA, in its sole discretion, prior to the closing of each Rehabilitation Loan. HCIDLA and the Borrower must enter into a binding agreement to use CalHFA for any permanent take-out financing at the closing of each Rehabilitation Loan subject to a Breakage Fee and termination of any commitment by CalHFA to provide a Subsidy Loan to the project in the event of a failure to do so. The Permanent Loans made by CalHFA shall be consistent with CalHFA’s term sheet for its Permanent Take-Out Loan Program in place at the time of each commitment by CalHFA to make a Permanent Loan. CalHFA’s Permanent Loan and related regulatory agreement must be senior to all other debt and restrictions related thereto. Subsidy Loans made by CalHFA shall be junior only to the CalHFA Permanent Loan and its related regulatory agreement. HCIDLA will enter into subordination agreements consistent with the terms of this Memorandum.

IV. TERM

This Memorandum shall be effective from the date first written above (hereinafter the “Effective Date”) and shall terminate on _____ provided, however, the Term may be extended up to a maximum _____ year term (through _____) upon the written approval of HCIDLA and CalHFA and upon mutually acceptable terms to such parties.

V. MISCELLANEOUS

- A. The parties acknowledge and agree that this Memorandum is solely intended to memorialize the general understandings of the parties and, notwithstanding anything to the contrary, is not a commitment by HCIDLA or CalHFA to make a Loan or either party to otherwise participate in any rental housing program. This Memorandum does not confer any rights on or create any obligations of either party and does not confer any rights on any third party. Any contractual

obligations among the parties will be set forth in written contractual agreements executed by the parties. This Memorandum is intended to be an indication of the good faith intent of the parties hereto to work together with respect to the matters set forth herein.

- B. Each party hereto shall bear its own costs and expenses in connection with this Memorandum or in connection with any eventual Loan originated hereunder except as may be otherwise agreed to between the parties.
- C. This Memorandum and any undertakings by HCIDLA pursuant hereto are not binding upon any of the officers or trustees of or participants in HCIDLA personally; any undertakings by HCIDLA pursuant hereto bind only, and may only be enforced against, HCIDLA.
- D. This Memorandum and any undertakings by CalHFA pursuant hereto are not binding upon any of the members, officers or employees of CalHFA personally; any undertakings by CalHFA pursuant hereto bind only, and may only be enforced against CalHFA.
- C. The parties acknowledge and agree that the CalHFA loan programs are solely the loan programs of CalHFA and not of HCIDLA. CalHFA has the sole and absolute discretion in determining interest rates, structure, underwriting, and other related structure terms for its Mortgage Loans; provided, that the parties acknowledge and agree that HCIDLA has the sole and absolute discretion in determining whether or not to purchase a Mortgage Loan for its portfolio based on investment parameters established by HCIDLA. HCIDLA may accept or reject the purchase of a Mortgage Loan in its sole discretion.
- D. HCID understands that CalHFA is entering into this Memorandum solely for the interests of CalHFA and within the expectations and parameters of the CalHFA loan programs. CalHFA understands that HCIDLA is entering into this Memorandum solely for the interests of HCIDLA and within the expectations and parameters of the HCIDLA loan programs.
- E. Each party shall have the right to terminate this Memorandum by delivering written notice of such termination to the other party at least ninety (90) days prior to the effective date of the termination.

[signature page follows]

THE CITY OF LOS ANGELES, a municipal corporation, by and through the Housing and Community Investment Department

By: _____

Name:

Title:

CALIFORNIA HOUSING FINANCE AGENCY,
a public instrumentality and political subdivision
of the State of California

By: _____

Name:

Title:

DRAFT

POSITION DESCRIPTION

DO NOT USE THIS SPACE

City of Los Angeles

1. Name of Employee:	2. Employee's Present Class Title/Code: Management Analyst 9184	3. Present Salary or Wage Rate:
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4. Reason for Preparing Description: <input checked="" type="checkbox"/> New Position <input type="checkbox"/> Routine Report of Duties <input type="checkbox"/> Change in Existing Position <input type="checkbox"/> Review for Proper Allocation	Date Prepared 10/24/17
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5. Location of office or place of work: 1200 W. 7th Street Los Angeles, CA 90017	6. Name of Department Los Angeles Housing & Community Investment De Division Housing Strategies and Servic Section Special Projects
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7. Name and title of the person from whom you ordinarily receive instructions and who supervises or reviews your work: Name George Guillen Title Rehabilitation Project Coordinator II

8. Describe in detail the duties and work of this position, describing each duty in a separate paragraph. Begin with the duties that normally take most of your time and then describe the duties that are infrequent. Be certain to tell what is done, how it is done and what materials or equipment are used. Using percentages, show the distribution of the total working time. Also, if the duties and responsibilities of the position have changed, indicate how and when the changes occurred.

PERCENT OF TIME	DUTIES
45%	This position's primary responsibility will be to project manage and administer HCIDLA's Naturally Occurring Affordable Housing (NOAH) Program in HCIDLA's Special Projects Unit, Housing Strategies and Services Bureau. The Special Projects Unit is managed by a Rehabilitation Project Coordinator II.
25%	1. Project manage the city's Naturally Occurring Affordable Housing (NOAH) Program. Market the NOAH Program to affordable housing developers, interface with affordable housing developers to explain the goals and requirements of the program, answer questions, including rehabilitation requirements and solicit applications. Coordinate with various city departments, HCIDLA staff, City Attorney staff, Council District staff and non-profit and for profit organizations in the administration and management of the NOAH Program. Draft NOAH Program policies and procedures. Conduct oral presentations to HCIDLA executive management regarding the NOAH Program, including recommendations for program improvement. Utilize SmartSheet, a project management tool to interface with affordable housing developers.
20%	2. Coordinate and project manage the Memorandum of Understanding (MOU) with the State of California, CalHFA. Ensure compliance with the MOU and the overall goals and objectives of the Programs. Review CalHFA's monitoring of the NOAH Programs covenants and affordability restrictions. Review and make recommendation on the NOAH Programs permanent financing application requests. Monitor the Programs budget and expenditures. Provide reports on the outcomes of the program. Perform background checks on applicants and, as requested participate on the NOAH Program loan committee.
5%	3. Assist applicants with obtaining property tax welfare exemptions with the Los Angeles County Assessor's office. Prepare PowerPoint presentations and present at Bidders' Conferences. Prepare transmittals associated with the NOAH Program. Coordinate and process the transmittals within HCIDLA. Attend Housing Committee meetings and City Council meetings to ensure transmittal reports have been approved.
5%	4. Prepare written correspondence, reports, memoranda, etc. to constituents, lenders, real estate professionals and management.
5%	5. Performs other related duties as assigned.

9. How long have the duties been substantially as described above? NOAH is a new HCIDLA Program
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10. List any machinery or equipment operated and any unusual or hazardous working conditions.

11. Percent of time spent supervising (training and evaluating employees, assigning and reviewing work). 45%

12. Indicate the number of employees supervised by class titles. As need Clerk Typist.
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13. I certify that the above statements are my own and to the best of my knowledge are accurate and complete.
Signature _____ Date _____ Phone No. _____