

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: October 2, 2018

CAO File No. 0220-00540-1299

Council File No. 18-0876

Council District: Citywide

To: The Mayor  
The Council

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

Reference: Housing and Community Investment Department transmittal dated September 13, 2018; Received by the City Administrative Officer August 19, 2018; Additional information received through October 2, 2018

Subject: **REQUEST FOR AUTHORIZATION TO PROVIDE A FINANCIAL COMMITMENT AND EXECUTE LOAN DOCUMENTS FOR THE NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH) PROGRAM, NORMANDIE LOFTS PROJECT**

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### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt Recommendations I and II in the Housing and Community Investment Department (HCID) transmittal (Report) dated September 13, 2018 relative to authority to fund and execute a Naturally Occurring Affordable Housing (NOAH) Loan agreement with Normandie Lofts KTown LLC; and,
2. Authorize the General Manager, HCID, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions, subject to the approval of the City Administrative Officer (CAO).

### SUMMARY

The Housing and Community Investment Department (HCID) requests authority to negotiate and execute a Naturally Occurring Affordable Housing (NOAH) Loan agreement with Normandie Lofts KTown LLC (Developer) for the Normandie Lofts (Project) to rehabilitate units for income-restricted affordable housing. The HCID Report (Council File 18-0876) will authorize HCID to execute a subordinate residual receipts loan agreement with the Developer in an amount not to exceed \$990,000 to rent regulate 33 units and rehabilitate all units within an existing 50-unit market rate apartment building. Additional financing from the California Housing Finance Agency (CalHFA) and the New Generation Fund (NGF) will augment funding and is further discussed in this report and HCID's Report. This Office concurs with HCID's request.

Background

The Pilot NOAH Loan Program (PLNP) was authorized by Mayor and City Council on July 6, 2018 and based on the program design described in HCID’s transmittal dated October 30, 2017 (Council File 17-1258). The PNLN is a pilot program for an acquisition and rehabilitation loan program for occupied multifamily properties without Low Income Housing Tax Credits in order to preserve them as income-restricted affordable housing for the long term. The loan term for the Project within this report is 55 years. The loan program is intended to implement light rehabilitation with tenants in place and should relocation costs be needed, HCID will include them in the overall costs. To qualify for PNLN, affordable housing projects must establish long-term affordability restrictions for the buildings at an overall average of 80% of the Area Median Income (AMI).

The Project, a 50-unit market rate apartment building located at 167 South Normandie Avenue, Los Angeles, CA, 90004, received additional funding in separate agreements. According to HCID, the Developer will rehabilitate all 50 units with combined funding from CalHFA and PNLN.

Unit Regulation based on Public Financing for the Normandie Lofts Project

<u>Regulating Agency</u>	<u>50% AMI</u>	<u>80% AMI</u>	<u>100% AMI</u>	<u>Total Units Regulated</u>	<u>Percent Regulated Units</u>
CalHFA Permanent Loan	10			10	20%
CalHFA Subsidy Loan		44	6	50	100%
HCID Pilot NOAH Program		33		33	66%

The HCID reported that on July 13, 2018, CalHFA conditionally approved \$2,000,000 in subordinate financing and \$7,200,000 in a permanent loan and will place income restrictions on 50 units as follows: 10 units at 50% AMI; 34 units at 80% AMI; and six units at 100% AMI. HCID also reported that a NGF acquisition loan providing \$7,200,000 for four-year acquisition financing, which will be repaid by the permanent loan from CalHFA, was approved in July and closed on August 13, 2018. HCID will provide \$30,000 per unit and will restrict 33 of the 50 units to 80% (AMI). HCID reported that the project underwriting is predicated on a property tax abatement being approved by the Los Angeles County Assessor in the first year. The initial analysis of the current occupants indicated that there are sufficient low income households in the apartment building to qualify for the tax abatement.

**FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. The recommended actions in this report comply with the City Financial Policies in that they are fully funded by the Affordable Housing Trust Fund.