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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 APPLICATION STRATEGY FOR THE 2017 ROUND 3 FUNDING OPPORTUNITY OF THE STRATEGIC GROWTH COUNCIL'S (SGC) AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM.

SUMMARY

The Affordable Housing and Sustainable Communities program (AHSC) is one of 21 programs funded through the State's Greenhouse Gas Reduction Fund (GGRF) auction proceeds. Its main goal is to reduce greenhouse gas emissions (GHGs) through reduced vehicle miles traveled by providing grant and loan opportunities to strategically fund affordable housing development with sustainable transportation infrastructure, mobility and urban greening components in Disadvantaged Communities (DACs) and Low Income Communities. On October 2, 2017 the SGC released the third Notice of Funding Availability (NOFA) for \$255 million. The application deadline is January 16, 2018 (See Appendix A).

As directed by City Council, the Housing + Community Investment Department (HCIDLA) hereby reports back on the recently approved Round 3 AHSC guidelines, Round 2 results, ongoing City AHSC Action Team progress and strategy by which the City of Los Angeles will prioritize eligible AHSC projects for the preparation and submission of joint applications for the third round of AHSC funding. Furthermore, the City's interdepartmental working group is recommending the attached list of affordable housing and sustainable transit projects, as the selected applicants that will work with the City AHSC Action Team to submit AHSC joint applications to the SGC by the January 16, 2018 deadline.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing + 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. APPROVE the Proposed AHSC Strategy and Joint Applicant Criteria.
 - B. AUTHORIZE the HCIDLA General Manager, or designee, to sign on behalf of the City of Los Angeles as an AHSC joint applicant as determined by the AHSC Strategy.
 - C. DIRECT the HCIDLA General Manager, or designee, to continue to lead the coordination, partnership and engagement with the LA Department of Transportation (LADOT), Department of City Planning (DCP), Bureau of Engineering (BOE), Department of Public Works (DPW) and other City Departments, as necessary, in joint planning efforts in the development of the required Sustainable Transit Infrastructure (STI) scope of work and assessment of individual affordable housing projects to increase each AHSC applicant's readiness and competitiveness per the AHSC revised funding guidelines.
 - D. AUTHORIZE the HCIDLA General Manager, or designee, to issue letters of support and conditional funding reservations for the Proposition HHH Permanent Supportive Housing Program, as applicable, for projects that meet the City's AHSC criteria as outlined herein (See Appendix C).
 - E. DIRECT the HCIDLA General Manager, or designee, in coordination with LADOT, BOE, DPW and other City Departments, as necessary, to report back on the acceptance of AHSC Sustainable Transit Infrastructure (STI) and/or Transit Related Amenities (TRA) AHSC grant funding upon award in June 2018. The report back shall include but not be limited to the following: recommended administration and distribution of funds process, framework implementation of STI/TRA projects as awarded and approved by the SGC, completion timelines, and recommended agreements among the appropriate City Departments for the successful coordination, process and completion of AHSC STI/TRA grant funded projects.

BACKGROUND

The Affordable Housing and Sustainable Communities program furthers the purposes of AB 32 and SB 375, and is one of 21 programs funded by the State's Greenhouse Gas Reduction Fund (GGRF) auction proceeds. Established in 2014, the purpose of the AHSC program is to reduce Greenhouse Gas (GHG) emissions by fostering walkability and public transit use to reduce vehicle miles traveled. This goal is

This program is to receive an annual statutory allocation (per SB 862) of 20 percent of the GGRF auction proceeds through 2020 (this statutory requirement is expected to be extended through 2030). In fiscal year 2016-17, the state generated over \$890 million in proceeds amounting to an allocation of \$255 million for the AHSC program. AHSC awards are available as grants and loans to capital projects that reduce GHG emissions and benefit disadvantaged communities (DACs) and low income communities. A DAC is a census tract that scores in the top 25% of the CalEnviroScreen 3.0 tool and denotes a community that bears a disproportionate environmental health and socioeconomic burden relative to the state. The Office of Environmental Health Hazard Assessment created the screening tool on behalf of the California Environmental Protection Agency to help identify communities burdened by multiple sources of pollution and help enact SB 535, the California Global Warming Solutions Act of 2006: Greenhouse Gas Reduction Fund. A low income community is a census tract that is at or below 80% of the statewide median household income, or at or below the threshold designated as low income by the Department of Housing and Community Development's (HCD) list of State income limits.

Successful projects are defined as those that substantially reduce GHGs 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. Projects are competitively scored based on established scoring criteria, including green building status, proximity to key destinations and length of proposed bicycle and pedestrian improvements (See Appendix B). A single project may receive up to \$20 million dollars in Round 3. The state has identified three project types to implement this strategy: Transit Oriented Development Projects (TOD), Integrated Connectivity Projects (ICP), and Rural Innovation Project Areas (RIPA).

PROPOSED AHSC STRATEGY

AHSC Round 3 NOFA Approach

In 2017, the AHSC Action Team (AAT) consisted of HCIDLA, DCP, DOT, BOE and DPW. Of the 35 project proposals that the AAT reviewed in early 2017, 8 initial projects that combine affordable housing and sustainable transit infrastructure were evaluated and deemed to potentially meet AHSC program threshold requirements.

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 Chief Legislative Analyst's (CLA) Office, the AAT, Los Angeles County Metropolitan Transportation Authority (LACMTA), and Enterprise Community Partners (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 second 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 the upcoming competitive round of funding. Since AHSC is still a relatively new program, the City sought external support to bolster its work plan and meet the application demands for the current AHSC funding round.

The newly 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 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, the City and its staff need to actively integrate, coordinate, and engage in deep joint planning efforts across multiple departments for the current and future AHSC funding rounds.

In early 2017 and in anticipation of new AHSC funding, HCIDLA created an AHSC registration page and notified all potential and/or interested AHSC applicants of City required deadlines if seeking to secure City sponsored assistance. As such the deadline to register a potential AHSC applicant was set one week after the release of the AHSC Draft Guidelines, to March 17, 2017. Over the next several months HCIDLA continued to reach out to interested developers and engaged with the AAT to prepare potential transportation improvements scopes of work in anticipation of the AHSC Round 3 NOFA, which was released by the SGC on October 2, 2017. Following the release of the new NOFA, HCIDLA held a kick-off meeting with the pre-screened developers interested in applying for the AHSC funding and presented an overview of key AHSC guideline changes and program threshold requirements. Following the kick-off developer meeting, HCIDLA hosted individual AHSC clinics in mid-October with each potential developer, appropriate council office and members of the AAT to discuss project eligibility and potential transportation improvements around the project to increase overall application competitiveness. In coordination with the AAT, the City has begun outlining and developing the STI/TRA scopes of work based on the outcomes of the recent clinics and guidance from the respective council offices for the attached recommended list of applicants (See Appendix C).

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 AAT 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, LADOT, DCP and other City staff as necessary. Once the City’s AAT determines that a project meets all of the AHSC program requirements, an official City of Los Angeles resolution in support of the AHSC application will be provided upon City Council approval.

- II. **Proposed Criteria for AHSC Joint Application** - AHSC projects greatly benefit from a joint application with a local jurisdiction. Typically the lead AHSC applicants are affordable housing developers with little to no expertise in developing transit infrastructure plans. Due to the fact that AHSC is designed to reduce GHGs, a highly competitive project must integrate affordable housing projects with significant transit and green infrastructure improvements. LADOT, BOE and DPW staff are well equipped and experienced to help develop these transit infrastructure scopes and budgets for AHSC. In 2016, only projects that jointly applied with the City of Los Angeles were awarded funding. This effort led to the successful awarding of nearly \$65 million in AHSC funding for affordable housing and sustainable transportation infrastructure. Lastly, while the 2017 guidelines did change, 70% of the application scoring criteria for 2017 is positively impacted by a joint application with a jurisdiction or locality. Simply stated, a joint

application with the City of Los Angeles will increase the competitiveness of AHSC application for this third round of funding.

Given the City's limited staff resources, the City will prioritize the 2017 AHSC applications that meet following City established criteria:

Joint Applicant Criteria:

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

- A. Have been admitted into the City's Affordable Housing Trust Fund Managed Pipeline, have received or will be leveraging Proposition HHH funding, or is a city-owned site.
- B. Advance the HCIDLA's prioritized planning efforts and policy objectives to produce and preserve affordable housing near transit.
- C. Advance and promote sustainable transit infrastructure and amenities that implement prioritized LADOT and LADCP planning 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 increases the City's AHSC competitiveness. Developing and preserving quality affordable housing that integrates carbon-reducing measures through sustainable transit infrastructure and amenities in the City is directly in alignment with the City's Sustainability pLAN and other City priorities to help alleviate the affordable housing crisis.

III. Legal Joint Application Requirements - In preparation for the January 16, 2018 application deadline, the City is required to self-certify their role as a Joint 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 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. For the third round of funding, the City will be electing to assume the acceptance of STI/TRA grant funds, administration, implementation and completion of STI/TRA projects. The joint development agreements executed before the application deadline will clearly outline the City's role for the STI/TRA application component. However, all parties will remain jointly and severable liable for the overall successful completion of the entire project – including the housing and transportation components. The joint development agreements and all necessary legal documents must be completed and executed by the ASHC application deadline of January 16, 2018.

IV. City of Los Angeles as Recipient of Transportation-Related Grant Funding - Upon successful AHSC funding awards in June 2018, the City of Los Angeles will become the recipient of STI and/or TRA grant funding in a joint application. As such, a responsible City entity could pass through grant funding to other City departments to administer and implement the STI/TRA grant funds. Up to 10% of STI/TRA project funds can be allocated for administration costs. Up to 30% of the total AHSC award can be allocated for soft costs for STI projects, while up to 10% of the total AHSC award can be allocated for soft costs for TRA

projects. Soft costs include those incidentally but directly related to construction or project plans, specifications and estimates. As the AHSC program increasingly incentivizes larger, more complex non-housing-related elements, the STI/TRA components are likely to exceed the capacity of housing developers. Therefore, the City delivery of STI/TRA grant implementation is paramount to overall success of these projects.

- V. **Provide Enforceable Funding Commitments** - At the application development phase, applications will be filtered according to (a) satisfaction of SGC AHSC threshold requirements; and (b) demonstration of the level of enforceable funding commitments (i.e. permanent funding commitments such as bond financing, low-income housing tax credit (LIHTC) equity, HOME funding, and other committed financing). In order to count 9% tax credits as a possible leveraged source of funding on the AHSC 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, and issue letters of support and conditional funding reservations for the Proposition HHH Permanent Supportive Housing Program, as applicable, for projects that meet the City's AHSC criteria as outlined herein.

AHSC Outcomes to Date

Since the inception of the State's GGRF in 2012, the HCIDLA, together with the housing community, advocated for the inclusion of affordable housing as a qualifying program via comment letters to the Air Resources Board (ARB). The AHSC program was successfully created in 2014, effectively requiring funding set asides for affordable housing development that reduced GHGs.

The HCIDLA has helped shape the AHSC program guidelines in coordinated efforts that included the Mayor's Office, the City Council, other City Departments, the Los Angeles Metropolitan Transportation Authority, the Southern California Association of Governments, and advocacy organizations to ensure the City's primary interests and needs were incorporated in the final guidelines. In the past two years, the City has received nearly \$100 million in competitive AHSC funding.

The first AHSC Notice of Funding Availability in 2014-15, awarded a total \$30 million for nine projects located within the City's boundaries; supporting the production of 716 new affordable housing units strategically located in key transit oriented districts and infill areas. In 2016, the HCIDLA helped lead a Citywide AHSC application assistance effort that resulted in a total award of \$64.6 million that funded six projects located in the City of Los Angeles, making Los Angeles the most successful jurisdiction in the State. These efforts will produce 553 affordable housing units coupled with active transportation infrastructure to reduce over 93,000 metric tons of greenhouse gas emissions by 2021.

The City's Round 2 success was largely attributed to the collaborative City led planning approach that received high praise from the developer community, the SGC, HCD and other entities. The City's multidepartmental AAT directly worked on the AHSC applications and included City staff from the HCIDLA, LADOT, BOE, DCP and DPW. This team collaborated closely with each other on efforts to directly develop and review AHSC applications with applicants and technical assistance providers. The HCIDLA led coordination efforts with the AAT as well as the extensive support and leadership from the Mayor's Office, Council District 1, and the Chief Legislative Analyst's Office ensured applicants obtained the necessary direct support from the City. Furthermore, to ensure maximum competitiveness, the HCIDLA entered into an exclusive Memorandum of Understanding with Enterprise to secure AHSC technical assistance for both City staff as well as project applicants.

Last year's successful coordination efforts were entirely unfunded by AHSC or General Funds as part of the City's commitment to implement components of the City's Sustainability pLAN and a testament of the commitment and diligence of the ATT City staff. Given the ATT's lessons learned, a joint budget request was submitted in 2016 for fiscal year 2017-18 to add four staff across three departments to continue to support AHSC application efforts in the AAT interdepartmental collaborative team. Although the budget request was not approved, new budget requests will be submitted by HCIDLA, LADOT, DWP and BOE for fiscal year 2018-19. With Round 2 implementation currently underway, the City has decided to assume the responsibility for the STI/TRA components for Round 3. Based on previous experience and best practices around the state, the City will be the recipient of the STI/TRA grant funds for Round 3 AHSC awarded projects and be responsible for the delivery, implementation and completion of the transportation-related improvements.

Lastly, it is important to note that California's cap-and-trade program and GGRF auction proceeds was successfully extended from 2020 to 2030 by the State Legislature and Governor Jerry Brown in July 2017. As a result, it is critical to have AAT dedicated funding and staffing to remain competitive for future AHSC funding rounds. Given the program's commitment to providing low-income housing and sustainable transportation improvements, the City has an excellent opportunity to leverage future AHSC funding to advance the City's objectives and priorities, such as those related to affordable housing production, the Comprehensive Homelessness Strategy, Sustainability pLAN, Vision Zero, Mobility Plan 2035, Measure M Local Return Program and other City policy priorities.

CONCLUSION

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

FISCAL IMPACT

While there is no fiscal impact associated with the report at this time, these recommendations will allow the City to compete for up to \$255 million in AHSC funding.

Prepared by:



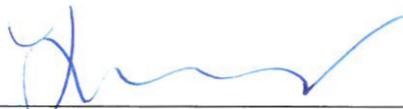
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APPENDICES

Appendix A (2016-2017 AHSC Program Schedule)

Appendix B (AHSC Scoring Criteria and Elements)

Appendix C (Projects Deemed Eligible for AHSC Program Based on City Criteria)

APPENDIX A

The 2016-2017 AHSC Program Schedule as of 10/2/17

Release of 2016-2017 AHSC Notice of Funding Availability	October 2, 2017
Full Applications Due	January 16, 2018
Awards Announced	June 2018

APPENDIX B
AHSC Scoring Criteria and Elements

2016-2017 AHSC Scoring Criteria and Elements	
Criteria	Points
GHG Quantification Methodology Scoring	30
GHG Efficiency	15
GHG Total	15
Qualitative Policy Scoring	55
Active Transportation Improvements	10
Green Buildings and Renewable Energy	10
Housing and Transportation Collaboration	10
Location Efficiency and Access to Destination	5
Funds Leveraged	5
Programs	3
Anti-Displacement Strategies	5
Local Workforce Development and Hiring Practices	2
Housing Affordability	5
Narrative-Based Policy Scoring	15
Collaboration & Planning	6
Community Benefit and Engagement	6
Creating Sustainable Communities	3
Total Scoring	100

APPENDIX C

PROJECTS DEEMED ELIGIBLE TO PROCEED AS JOINT APPLICANTS FOR R3 AHSC PROGRAM BASED ON CITYAHSC CRITERIA*						
No.	Leverage	Project	Developer	Project Address	Council District	Units
1	MPipeline	LAMP Lodge	Meta Housing Corporation	660 Stanford Ave., Los Angeles, CA 90021	14	82
2	MPipeline	Elden Elms	West Hollywood CHC	1255 Elden Ave., Los Angeles, CA 90006	1	93
3	City Land	The Depot	GTM Holdings	6527 Crenshaw Blvd., Los Angeles, CA 90043	8	43
4	City Land	Adams Terrace	Abode Communities	4347 Adams Blvd., Los Angeles, CA 90018	10	86
5	HHH	Anita May Rosenstein /McCadden Campus	Thomas Safran & Associates	1118 N. McCadden Place, Los Angeles, CA 90038	4	99
6	HHH	PATH Villas Hollywood	PATH Ventures	5627 Fernwood Ave., Los Angeles, CA 90028	13	58
7	Metro Owned Land	La Veranda	Abode Communities	2420 E Cesar E Chavez Ave., Los Angeles, CA 90033	14	77
8		Manchester Villas	Neighborhood Housing Services	8757 Broadway Ave., Los Angeles, CA 90003	8	105

**The AAT will work with the above 8 projects to produce the necessary STI/TRA project scopes of work and ensure overall continued competitiveness of entire project application. Final list of submitted projects contingent on applicant's ability to meet all required application threshold requirements.*