At its July 24, 2019 meeting, the Affordable Housing Linkage Fee Oversight Committee ("AHLF OC") amended the recommendations from the Los Angeles Housing + Community Investment Department’s (HCIDLA) attached report relative to the Affordable Housing Linkage Fee FY 2019-20 Expenditure Plan.

The AHLF OC recommends that the Council, subject to the approval of the Mayor:

I. Approve Proposed Tier Affordable Housing Linkage Fee (AHLF) Expenditure Plan (See Table 1);

II. Approve Proposed Expenditure for FY 2019-20 Affordable Housing Linkage (AHLF) Fee Budget (See Table 2);

III. Authorize the continuation of the approved FY 2018-19 funding amount for the initial administrative costs for FY 2019-20;

IV. Approve the continued funding of two (2) authorized positions – one (1) full-time Management Analyst (MA) and one existing, vacant (1) Housing, Planning & Economic Analyst (HPEA), to be funded up to 50% of the position’s salary, and the addition of one existing, vacant (1) Financial Development Officer (FDO), to be funded up to 50% of the position’s salary; and

V. Approve Controller Instructions as follows:
   i. Appropriate $5,347,967.89 to the following accounts within the Housing Impact Trust Fund 59T:
      - 43R723- Rental New Construction: $3,208,781.00
      - 43R724- Rental Preservation: $1,169,688.00
      - 43R725- Homeownership MIPA: $432,662.00
      - 43S143- Housing and Community Investment Dept.: $269,493.89
      - 43S299- Reimbursement of General Fund Costs: $147,343.00
      - 43S792- HIMS Replacement: $120,000.00
   
   ii. Increase appropriation in the following accounts within Fund 100/43:
      - 001010- Salaries General: $223,385.89
      - 006010- Office and Administrative: $12,600.00
      - 006030- Leases: $33,508.00
SUMMARY OF AHTF OC MEETING DISCUSSION

At its July meeting, the AHTF OC discussed the following items:

- HCIDLA previously received City Council and Mayoral approval to set-aside up to 15% of AHTF revenue for administrative costs; however, HCIDLA is requesting to use only 8% of AHTF revenue for administrative costs in FY 2019-20. Given the City Council’s direction to maximize the AHTF dollars, HCIDLA recommends dedicating the balance of the administration funding to the preservation of rental housing and the Moderate Income Purchase Assistance (MIPA) homeownership program.

- The prioritization of the City’s homeownership programs, Low Income Purchase Assistance (LIPA) and MIPA - The AHTF OC’s final recommendation is to adopt HCIDLA’s proposed allocations as outlined in the AHTF FY 2019-20 Expenditure Plan. As appropriate, HCIDLA will report back on both the MIPA and LIPA programs and funding needs.

- The new Housing Program Loan Origination and Management Reporting Software - The Housing Information Management System (“HIMS”), currently the primary database platform used for executing and administering HCIDLA’s grant and loan programs, is an antiquated system that cannot be accessed by City staff or stakeholders outside of HCIDLA. During FY 2019-20, HCIDLA proposes to use $120,000 from the AHTF administrative budget to cover a portion of the initial upfront costs for the replacement of its legacy HIMS database with a new “to-be-determined” housing management software system designed to modernize and significantly improve accessibility to HCIDLA’s data. The new system will support both the existing and future development and homeownership assistance programs to be funded with Linkage Fee proceeds. As per the AHTF OC’s request, HCIDLA is providing the following details:
  - Total cost for implementing the housing software program is estimated to be approximately $420,000 for FY 2019-20, with the proposed $120,000 from the AHTF budget representing 28.5% of the total estimated costs. Funds for the initial upfront cost will not be drawn from the AHTF until HCIDLA identifies the other funding sources needed to cover the remaining $300,000 cost to rollout the new software.
  - Costs for FY 2019-20 would generally include a full suite of services (data migration, mapping existing Excel/Word templates, software configuration, implementation, complete product training for staff, licensing, etc.). Ideally, a new housing software management system would be an integrated, web-based, centralized, city-wide software that would encompass the full life cycle of housing development for HCIDLA’s construction, rehabilitation, and preservation programs including Intake, Origination, Construction Management, Lease-Up and Loan Conversion, Asset Management, and Compliance.

- HCIDLA will return in approximately three months to the AHTF OC with a detailed report on the collected AHTF revenue using the metrics as outlined by the committee body (i.e., types of developments that generated Linkage Fees, impacted neighborhoods, details on the expended fees, etc.), as well as a thorough and clear set of metrics when additional AHTF revenue becomes available in the coming months.
HCIDLA intends to allocate up to 15% of the AHLF revenue towards administrative costs on a per annual basis; this allocation will occur without any dependence on the AHLF Expenditure Plan funding tier level.

HCIDLA will amend its staff report by removing the previous Recommendation III, and to specify in Recommendation IV a request to fund an existing, vacant Financial Development Officer (FDO) up to 50% of its position salary.

RECOMMENDATION

The AHLF OC recommends that the report, as specified above, is scheduled for consideration and adoption at the next available meeting(s) of the appropriate City Council committee(s) and be scheduled for consideration and adoption by the full City Council immediately thereafter.

FISCAL IMPACT STATEMENT

There is no impact to the City’s General Fund. All funding is to be utilized from the Affordable Housing Linkage Fee revenue for FY 2019-20.

Rushmore D. Cervantes
General Manager, HCIDLA
Chair, Affordable Housing Linkage Fee Oversight Committee

ATTACHMENT:

HCIDLA’s report to the AHLF OC: Proposed Affordable Housing Linkage Fee Expenditure Plan Tiers and Proposed Expenditure for FY 2019-20 Affordable Housing Linkage Fee Budget
INTER-DEPARTMENTAL MEMORANDUM

TO: AFFORDABLE HOUSING LINKAGE FEE (AHLF) OVERSIGHT COMMITTEE

FROM: RUSHMORE D. CERVANTES, GENERAL MANAGER

DATE: JULY 18, 2019

REGARDING: PROPOSED AFFORDABLE HOUSING LINKAGE FEE EXPENDITURE PLAN TIERS AND PROPOSED EXPENDITURE FOR FY 2019-20 AFFORDABLE HOUSING LINKAGE FEE BUDGET

On December 13, 2017, the Los Angeles City Council adopted the Affordable Housing Linkage Fee (AHLF) Ordinance No. 185342 (C.F. 17-0274), which amends Chapter II of the Los Angeles Municipal Code. The AHLF provides a permanent and flexible source of funding that can significantly increase affordable housing creation while maximizing the leveraging of other public and private funding resources. The Ordinance places a fee on new residential development (ranging from $8 to $18 per square foot, depending on the market area) and new non-residential developments (ranging from $3 to $5 per square foot, depending on market area) to help mitigate impacts of large new projects and generate local funding for affordable housing production and preservation for the City (See Attachment A). The Linkage Fee also stipulates various exemptions and deductions based on certain characteristics.

In addition, the AHLF Ordinance also creates an interest bearing Housing Impact Trust Fund (HITF) to receive and disburse revenues collected as a result of the Linkage Fee. The HITF Ordinance No. 185341 outlines provisions for the creation of the new Trust Fund, which mandates that funds generated by the Linkage Fee be tracked and monitored to ensure maximum accountability and transparency as required under the California Mitigation Fee Act. Furthermore, the HITF Ordinance consists of various requirements for HCIDLA, one of which pertains to establishing an Affordable Housing Linkage Fee Oversight Committee (“AHLF OC”) for the Fund; comprised of designees from HCIDLA, the Office of the Mayor, the Office of the Chief Legislative Analyst (CLA), the Office of the City Administrative Officer (CAO), and the Department of City Planning (DCP). The AHLF OC will provide an opportunity for public input on various aspects of the AHLF administration and implementation, including the HCIDLA General Manager’s annual report to City Council, the review and approval of annual expenditure plans, and approval of new funding programs and guidelines (See Attachment B).

SUMMARY OF RECOMMENDATIONS
This memorandum serves as HCIDLA’s recommendations to the AHLF OC to consider and approve HCIDLA’s recommendations to implement the City’s Linkage Fee Program during Fiscal Year (FY) 2019-20.

HCIDLA’s proposed Tiered AHLF Expenditure Plan is intended to prioritize funding amounts and funding percentage allocations for each sub-category of Rental New Construction, Rental Preservation, Homeownership, and Innovations/New Programs categories using a tier system based on the collection level of Linkage Fee revenue receipts.
Furthermore, the department’s proposed Expenditure for FY 2019-20 AHLF Budget demonstrates HCIDLA’s objective of distributing the unallocated administrative funds among the Rental Preservation (additional amount of $100,094) and the Homeownership (MIPA) (additional amount of $165,264) Programs to increase their Tier 1 funding amounts for FY 2019-20 only. An increase in these programs’ allocations will allow for further resources to be dedicated to the preservation of at-risk units and assisting more moderate-income families with home purchase assistance.

In addition, in an effort to effectively facilitate and manage the development of the Linkage Fee programs, HCIDLA recommends the funding of three staff positions. Two of the three positions are requested to be funded up to 50 percent of the staff salaries: One (1) full-time Management Analyst position to be assigned to HCIDLA’s Housing Development Bureau; one (1) Housing, Planning Economic Analyst, funded up to 50 percent of the position’s salary, to be assigned to HCIDLA’s Public Policy & Research Unit; and one (1) Financial Development Officer, funded up to 50 percent of the position’s salary, to be assigned to the Housing Development Bureau.

Lastly, in support of the Bloomberg Foundation’s Mayor’s Challenge provided to the City of Los Angeles to create a pilot program to offer homeowners the opportunity to build accessory dwelling units (ADUs) for their support in addressing the homeless crisis, HCIDLA recommends the City Council and Mayoral FY 2018-19 approval of $1,176,471 amount to be continued for FY 2019-20.

RECOMMENDATIONS
The General Manager of HCIDLA respectfully requests that the AHLF OC adopt the following for FY 2019-20:

I. Approve Proposed Tier Affordable Housing Linkage Fee (AHLF) Expenditure Plan (See Table 1)

II. Approve Proposed Expenditure for FY 2019-20 Affordable Housing Linkage (AHLF) Fee Budget (See Table 2)

III. Authorize the continuation of the approved FY 2018-19 funding amount for the Innovation Housing – Accessory Dwelling Unit Program for FY 2019-20

IV. Authorize the continuation of the approved FY 2018-19 funding amount for the initial Administrative Costs for FY 2019-20

V. Approve the continued funding of two (2) authorized positions – one (1) full-time Management Analyst (MA) and one (1) Housing, Planning & Economic Analyst (HPEA), to be funded up to 50 percent of the position’s salary, and the addition of one (1) Financial Development Officer (FDO), to be funded up to 50 percent of the position’s salary.

VI. Approve Controller Instructions as follows:

   i. Approve $5,347,967.89 to the following accounts within the Housing Impact Trust Fund 59T:

   43R723- Rental New Construction $ 3,208,781.00  
   43R724- Rental Preservation $ 1,169,688.00  
   43R725- Homeownership MIPA $ 432,662.00  
   43S143- Housing and Community Investment Dept. $ 269,493.89
43S299- Reimbursement of General Fund Costs $147,343.00
43S792- HIMS Replacement $120,000.00

ii. Increase appropriation in the following accounts within Fund 100/43:
    001010- Salaries General $223,385.89
    006010- Office and Administrative $12,600.00
    006030- Leases $33,508.00

BACKGROUND
As instructed by the adopted amending Motion 23D (Cedillo – Koretz), dated March 20, 2019, HCIDLA is to report to the AHLF OC with a draft AHLF Expenditure Plan for FY 2019-20, including a recommended funding amount for each sub-category within the Rental New Construction, Rental Preservation, Homeownership, and Innovations/New Programs categories for its review within 60 days.

Proposed Tiered Affordable Housing Linkage Fee Expenditure Plan
For the AHLF Expenditure Plan, HCIDLA recommends the appropriation of Linkage Fee revenues and interest from the Linkage Fee using three (3) funding tier levels, with specific percentage allocations for each respective Linkage Fee program. These funding tiers reflect HCIDLA’s prior recommendations that directly reflect the extensive public engagement with stakeholders during the development of the Linkage Fee programs in 2018. The proposed funding tiers are as follows:

- Tier 1: For revenue up to $10 million
- Tier 2: For any additional revenue above $10 million, up to $50 million
- Tier 3: For any revenue above $50 million

As of June 30, 2019, the City has collected a total of $6,662,996.89 in AHLF revenue and receipts. Of this amount, on April 16, 2019, the adopted City Council Resolution (Cedillo - Martinez) (C.F.#: 17-0274) approved $1,176,471 for the Innovative Housing Demo – Accessory Dwelling Unit Program and $138,558 for Administrative Costs as part of the Affordable Housing Linkage Fee Guidelines development expenditure for FY 2018-19. This resulted in a net revenue Linkage Fee amount of $5,347,967.89. Given this net cash balance amount, the City’s FY 2019-20 expenditure plan utilizes the Tier 1 funding level as indicated in the Table 1 below. When AHLF revenue exceeds Tier 1 levels in the future, funding allocations and percentages will reflect the next tier level(s) as outlined below. The proposed Tiered AHLF Expenditure Plan table illustrates both the initial Linkage Fee Expenditure Plan’s program prioritization, as well as response to Councilmember Price’s motion and amending Motion 23D for the following programs: the Affordable Housing Managed Pipeline (AHMP) – supporting new affordable rental housing construction and existing affordable rental housing preservation; and the Moderate Income Purchase Assistance (MIPA) programs.
Table 1: Proposed Tier Affordable Housing Linkage Fee Expenditure Plan

<table>
<thead>
<tr>
<th>Funding Tiers</th>
<th>Funding Tier Amount Level</th>
<th>HCIDLA's Proposed Tier Affordable Housing Linkage Fee Expenditure Plan</th>
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<tbody>
<tr>
<td>Tier 1</td>
<td>Revenue up to $10M</td>
<td>15%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Percentage Allocation for Tier 1</td>
<td>Additional Revenue (Above $10M, up to $50M)</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Percentage Allocation for Tier 2</td>
<td>Revenue Above $50M</td>
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TOTAL REVENUE

Affordable Housing Managed Pipeline (AHMP) Program

New Affordable Rental Housing Construction

The Affordable Housing Linkage fee revenue will assist the City in further leveraging its funding for new affordable housing construction. Tier 1 funding level for this program reflects the largest proposed AHLF revenue percentage allocation at 60 percent. HCIDLA’s Affordable Housing Managed Pipeline (AHMP) Program was established in June 2003, for the primary purpose of leveraging and attracting the investment dollars of other public agencies and private entities for the development of affordable housing within the City. HCIDLA continues to manage and ensure that the City’s funds that are utilized to finance the affordable housing developments in its Managed Pipeline are in alignment with prospective federal, state, and/or local funding programs, to ensure success in securing other funding sources. One to two funding rounds or “Call for Projects” are held each calendar year, with projects competing for funds that are used to leverage Low Income Housing Tax Credits (LIHTC) and/or funding from state or federal multi-family affordable rental housing programs. Currently, the Managed Pipeline funds are comprised of grant allocations from the U.S. Department of Housing and Urban Development (HUD) such as HOME, HOPWA, CDBG, land assets and funds of the former CRA/LA, City general funds, and McKinney-Vento Act Savings funds. From 2008 to 2017, the City’s grant allocations from HUD decreased by 35 percent due to yearly mandatory budget cuts. Although there was an increase of funding by 16 percent this fiscal year as a result of the federal Omnibus Spending Bill of 2018, many of the funding trends from year to year over the past ten years have been substantially downward. The AHLF program will help provide the City with a permanent self-sustaining source of funding to supplement the often severely reduced resources.

Existing Affordable Rental Housing Preservation Program

The Affordable Housing Linkage fee revenue will assist the City in also further leveraging its funding for the preservation of rental housing for City residents. Tier 1 funding level proposes an AHLF revenue percentage allocation of 20 percent for rental housing preservation. Through its Affordable Housing Preservation initiatives, HCIDLA creates and implements financial and non-financial strategies to extend and preserve affordable housing at-risk of losing its affordability restrictions by assisting property owners, tenants, and developers in identifying options and resources to preserve or extend existing affordable housing stock, and leveraging resources to preserve affordable housing.
The AHLF program will further assist the City in financing programs to support the rehabilitation and much needed preservation of affordable housing for residents.

**Homeownership Programs (MIPA and LIPA)**

The Affordable Housing Linkage fee revenue will also lend itself to leveraging funding for the City’s homeowner programs. Tier 1 of the AHLF expenditure plan proposes a five percent allocation for the City’s Moderate Income Purchase Assistance (MIPA) Program. The continued investment in homeownership for first-time homebuyers is an essential component to the City’s strategies for neighborhood revitalization, preservation, and protecting communities from blight, decline, and neglect. One of the biggest hurdles to attaining homeownership is the lack of funds for down payment, closing costs, and acquisition. Income restrictions imposed by federal funding sources that support programs for low-income homebuyers prevent moderate-income households from benefiting from homebuyer purchase assistance programs. To address this issue, in 2004, the City Council and the Mayor approved the MIPA Program to assist first-time, moderate-income homebuyers earning between 81 – 120 percent of the Area Median Income (AMI) in purchasing homes in the city. In 2005, the City Council and Mayor authorized the expansion of the MIPA Program and increased the income limits to assist higher income households earning between 121 - 150 percent of AMI. Although, the Linkage Fee revenue can only serve those up to 120 percent of AMI, MIPA will still benefit many qualifying first time homebuyers. Loan authority is up to $75,000 for moderate-income households earning between 81 -120 percent of AMI. The AHLF’s MIPA allocation for FY 2019-20 will allow the City to assist four or more (in addition to the City’s current homeownership funding) moderate-income families (earning up to 120 percent of AMI).

The City’s Low Income Purchase Assistance (LIPA) Program currently has sufficient funding to meet demand. Funding for LIPA is triggered for the subsequent tier levels (Tier 2 and Tier 3), and HCIDLA does anticipate requesting allocation for LIPA in future expenditure years.

**Administrative Allocation**

The Affordable Housing Linkage fee revenue will be used to: (i) provide the required staffing resources that will design, establish, and monitor the HITF and programs; and (ii) fund the initial upfront costs for procuring the necessary housing management software infrastructure/system to ensure allocations from the fund are monitored, tracked, and documented for maximum accountability and transparency. The housing management software will be used to support the ongoing execution and administration of new/innovative and existing programs for financing affordable housing rental construction, rehabilitation and preservation of affordable housing units, and first-time homebuyer assistance as conceived by the staff and approved by the AHLF OC, City Council and Mayor.

Tier 1 funding level proposes an AHLF revenue percentage allocation of 15 percent or $802,195 for staffing and administrative needs. However, HCIDLA’s proposed administrative costs total $536,837 for FY 2019-20. Given the City Council’s direction to maximize the AHLF dollars, HCIDLA recommends using $265,358 of the remaining administrative costs to increase allocations for two of the Linkage Fee programs. HCIDLA recommends distributing these unallocated administrative funds among these programs: the Rental Preservation (additional amount of $100,094) and the Homeownership (MIPA) (additional amount of $165,264) Programs to increase their Tier 1 funding amounts. The total adjusted recommended dollar and percentage allocations are as follows:

- Rental Preservation Program - $1,169,688 (22 percent)
Increasing these programs’ allocations will allow for the AHLF Program to infuse much needed additional resources towards preserving at-risk units and assisting more moderate-income families with purchase assistance. For example, instead of assisting four moderate-income families (earning up to 120 percent of AMI) – the City could potentially assist seven moderate-income families with loans of up to $60,000 each.

Table 2: Proposed Expenditure for FY 2019-20 Affordable Housing Linkage Fee Budget

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<tbody>
<tr>
<td>Tier 1</td>
<td>Revenue up to $10M</td>
<td>$5,347,967.89</td>
<td>$802,195</td>
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<td>Recommended Tier 1 Budget for FY '19-'20</td>
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<td>$536,837</td>
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<td>$1,169,688</td>
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<td>Recommended Tier 1 Percentages for FY '19-'20</td>
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<td>8%</td>
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<td>Balance (Admin. reallocated to programs)</td>
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<td>Tier 2</td>
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<td>Revenue Above $50M</td>
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<td>TOTAL REVENUE FOR FY 2019-20</td>
<td>$5,347,967.89</td>
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Housing Program Loan Origination & Management Reporting Software

The Housing Information Management System (“HIMS”), currently the primary database platform used for executing and administering HCIDLA’s grant and loan programs, is an antiquated system that cannot be accessed by City staff or stakeholders outside of HCIDLA. During FY 2019-20, HCIDLA proposes to use $120,000 from the AHLF administrative budget to cover the initial upfront procurement costs for the replacement of its legacy HIMS database with a new “to-be-determined” housing management software system, designed to modernize and significantly improve the accessibility to HCIDLA’s data. The new platform would more seemingly integrate the AHLF’s new and innovative financing programs with the data garnered from their respective multi-family affordable housing construction, rehabilitation, and preservation projects. The procurement process for the new housing management software is underway. We will report back to the AHLF OC with the final draft Request for Proposal (“RFP”) for approval, as well as progress reports throughout the year.

Research Studies and Program Development in Support of the Linkage Fee Program

The AHLF program implementation will require the need to conduct special studies in support of new programs and ongoing analysis of the Linkage Fee. The City Council and Mayoral approval of the $75K allocation in support of procuring data analysis services to expedite the development of innovative programs as well as for revenue projection updates for FY 2018-19 is requested by HCIDLA for re-appropriation for FY 2019-20. The continued allocation of these funds is necessary for the successful implementation of the Linkage Fee Program.

ACCESSORY DWELLING UNIT (ADU) PILOT PROGRAM

As part of the AHLF Program goal to create additional housing options for extremely low and very low-income individuals, the City has approved the funding and implementation of the Innovative Housing Demonstration – Accessory Dwelling Unit (ADU) Program. Los Angeles is currently facing a severe housing shortage, which is exacerbating the homeless crisis in the City. The Mayor’s Office Innovation Team has determined that one way to address these problems is to encourage homeowners to build Accessory Dwelling Units (ADUs), often called backyard homes or granny flats, on their property and rent them to those most in need of housing. The Bloomberg Foundation’s Mayor’s Challenge funded the City of Los Angeles to create a pilot program to offer homeowners the opportunity to build ADUs and receive incentives in the form of cash grants, project management support and other resources in exchange for their support in addressing the homeless crisis.

In support of this effort, $1,176,471 has been allocated towards the ADU Program to facilitate the development of accessory dwelling units in Los Angeles. HCIDLA intends to return at a later date to the AHLF OC with a detailed proposal of ADU Program guidelines for the AHLF OC’s review and approval.

CONCLUSION

The General Manager of HCIDLA submits this correspondence in an effort to seek approval from the AHLF Oversight Committee for the proposed tier expenditure plan and FY 2019-20 Linkage Fee budget, including funding of staff positions. HCIDLA, hereby requests approval of the items presented, to then move forward and submit these vetted recommendations for consideration and adoption by the City Council’s Housing Committee meeting scheduled for Wednesday, August 7, 2019 and City Council adoption by August 9, 2019.
ATTACHMENTS:
   1) Attachment A: Affordable Housing Linkage Fee Ordinance
   2) Attachment B: Housing Impact Trust Fund Ordinance
   3) Attachment C: Proposed Expenditure for FY 2019-20 Affordable Housing Linkage Fee Budget
ORDINANCE NO. 185342

An ordinance adding Section 19.18 and amending Section 16.02 of the Los Angeles Municipal Code to establish an Affordable Housing Linkage Fee.

WHEREAS, the City Council of the City of Los Angeles ("Council") recognizes that the City of Los Angeles ("City") is facing a housing crisis, and further acknowledges the need to facilitate the availability of housing products at different levels of affordability in order to address the housing needs of the entire community;

WHEREAS, the Council desires to adopt a fee to help address the increased need for affordable housing connected with new nonresidential development and the development of new market rate residential units ("Affordable Housing Linkage Fee");

WHEREAS, the Council has caused a study to be prepared that analyzes whether there is a reasonable relationship between the development of nonresidential projects and new market rate residential units and the need to increase the supply of new affordable housing;

WHEREAS, that study, prepared by BAE Urban Economics, entitled "Los Angeles Affordable Housing Linkage Fee Nexus Study" dated September 2016 ("Nexus Study"), demonstrates that such a nexus exists, and that the use of an Affordable Housing Linkage Fee for the purpose of increasing the supply of affordable housing in the City is justified;

WHEREAS, the Council has determined that the Affordable Housing Linkage Fee should be established consistent with the requirements applicable to fees for public facilities in California Government Code Section 66000 et seq., commonly referred to as the Mitigation Fee Act, without determining that it is required to do so;

WHEREAS, the Council has published advance notice of the public hearing concerning the Affordable Housing Linkage Fee in a manner consistent with the Mitigation Fee Act, and during that period made available for public review and comment data indicating the estimated cost required to provide affordable housing and the potential revenue sources;

WHEREAS, the Council has determined that the Affordable Housing Linkage Fee is consistent with and implements the goals and objectives of the City's General Plan;

WHEREAS, the Affordable Housing Linkage Fee is intended to create a funding mechanism to increase the supply of affordable housing in the City without reference to a specific development or property;

WHEREAS, the City will not expend funds from the Affordable Housing Linkage Fee on any specific development prior to the completion of any required environmental
review for such specific development, thus the adoption of this Ordinance is not a project under the California Environmental Quality Act guidelines found in Title 14 of the California Code of Regulations at Section 15378(b)(4);

WHEREAS, the Affordable Housing Linkage Fee is authorized pursuant to Section 240 of the City Charter and Section 7, Article XI of the California Constitution as a police powers measure to improve the public welfare of the City; and

WHEREAS, consistent with the Mitigation Fee Act and the City Charter, the Affordable Housing Linkage Fee may be established by ordinance and resolution.

NOW, THEREFORE,

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. A new Section 19.18 is added to Article 9 of Chapter I of the Los Angeles Municipal Code to read as follows:

SEC. 19.18. AFFORDABLE HOUSING LINKAGE FEE.

A. Definitions.

Terms shall have the meaning ascribed to them in Sections 12.03 or 12.22 of this Code. For the purposes of this section only, certain terms and words are defined as follows:

1. "Additional Housing Units" means a net increase in the number of dwelling units or guest rooms to be added on a parcel or parcels of land by issuance of a building permit, after subtracting the number of dwelling units or guest rooms legally removed from the same parcel of real property during the year preceding the issuance of the building permit.

2. "Additional Nonresidential Floor Area" means the net increase in the amount of nonresidential Floor Area, as defined in Section 12.03 of this Code, to be added on a parcel or parcels of land by issuance of a building permit, less the amount of nonresidential Floor Area legally removed from the same parcel of real property during the year preceding the issuance of the building permit.

3. "Applicant" means any individual, person, firm, partnership, association, joint venture, corporation, limited liability company, entity, combination of entities or authorized representative thereof, who undertakes, proposes or applies to the City for a Planning or zoning entitlement approval or building permit related to a Development Project.
4. "Building Permit Application" means plans submitted to the Department of Building and Safety pursuant to Section 12.26 A.3. of this Code.

5. "Development Project" means any activity involving or requiring the issuance of a building permit that results in Additional Housing Units, Additional Nonresidential Floor Area, additional single-family residential Floor Area, or a change of use from nonresidential to residential.

6. "Grocery Store" means a project that is for a retail use of which greater than one half of the Floor Area is devoted to the sale of food items intended for consumption or use off the premises, excluding alcoholic beverages.

7. "Linkage Fee" means the fee assessed, pursuant to this section, on certain Development Projects in order to mitigate the impact of the additional demand for affordable housing caused by such activity.

B. Applicability.

The regulations, requirements and provisions of this section shall apply to any Development Project. Unless a Development Project is exempt from this section, an Applicant must pay to the City the required Linkage Fee as a condition of the building permit for which a Building Permit Application has been submitted in order to mitigate the need for affordable housing that is generated by or attributable to such projects. The provisions of this section are subject to the requirements set forth in California Government Code Section 66000, et seq.

1. Phased Implementation.

a. For the first 120 days following the effective date of this ordinance, no Linkage Fee shall be imposed on any project for which a Building Permit Application or complete planning or zoning entitlement application is submitted. For purposes of this Section, a complete planning or zoning entitlement application is an application that has been accepted by the Department of City Planning and for which the application fees have been paid. If an Applicant submitted a Building Permit Application or a complete planning or zoning entitlement application for a Development Project prior to the effective date of this ordinance, that Development Project shall not be subject to a Linkage Fee.

b. An Applicant for a Development Project who submits a Building Permit Application or a complete Planning or zoning entitlement application (whichever is first) 121 days following the effective date of this ordinance shall pay one-third of the total Linkage Fee amount due, based on the fee schedule and market area maps in effect at the time of the submittal of the Building Permit Application or complete Planning or zoning entitlement application.
c. An Applicant for a Development Project who submits a Building Permit Application or a complete Planning or zoning entitlement application (whichever is first) 306 days after the effective date of this ordinance shall pay two-thirds of the total Linkage Fee amount due, based on the fee schedule and market area maps in effect at the time of the submittal of the Building Permit Application or complete Planning or zoning entitlement application.

d. An Applicant for a Development Project who submits a Building Permit Application or a complete planning or zoning entitlement application (whichever is first) 485 days or more after the effective date of this ordinance shall pay the total Linkage Fee amount due, based on the fee schedule and market area maps in effect at the time of the submittal of the Building Permit Application or complete Planning or zoning entitlement application.

2. Exemptions.

The Department of Building and Safety shall determine whether any of the following exemptions apply to a Development Project based on documentation submitted by the Applicant prior to the issuance of the building permit. The fee imposed by this section shall not apply to construction that includes any the following:

a. Less than 15,000 square feet of Additional Nonresidential Floor Area in any nonresidential building, other than parking garages and parking facilities, as determined by the Department of Building and Safety.

b. Any for-sale or rental housing development containing restricted affordable units where at least 40% of the total units or guest rooms are dedicated for moderate income households, or at least 20% of the total units or guest rooms are dedicated for low income households, or at least 11% of the total units or guest rooms are dedicated for very low income households, or at least 8% of the total units or guest rooms are dedicated for extremely low income households, for at least 55 years, where a covenant has been made with the Housing and Community Investment Department (HCIDLA) and required covenant and monitoring fees have been paid. Such a covenant shall also subject projects using this exemption to the replacement policies in Government Code Section 65915(c)(3), as that section may be amended from time to time, and to HCIDLA fees related to housing replacement determinations pursuant to state law, as set forth in this Code. For the purposes of this section, total units includes any units added by a density bonus or other land use incentive, consistent with the affordability levels defined in Government Code Section 65915, as that section may be amended from time to time.
c. Any Development Project being constructed by, or on behalf of: 1) a government or public institution such as a school, museum, homeless shelter or other similar projects that are intended for community use; or 2) any private Elementary and/or High School.

d. Any hospital. For purposes of this section, "hospital" means a facility, place, or building that is organized, maintained, and operated for the diagnosis, care, prevention, and treatment of human illness, physical or mental, including convalescence and rehabilitation and including care during and after pregnancy, or for any one or more of these purposes, for one or more persons, to which the persons are admitted for a 24-hour stay or longer.

e. A single-family detached home meeting one or more of the following conditions:

(1) Any addition of 1,500 square feet or less of Floor Area to an existing single-family detached home located in a single-family or multiple-family zone.

(2) New construction of any single-family detached home located in a single-family zone that is 1,500 square feet or less of Floor Area.

(3) Any replacement of a single-family detached home resulting in a net increase of 1,500 square feet or less of Floor Area from the prior home that existed on the property.

f. Either (1) an addition of 1,501 square feet or more of Floor Area to an existing single-family detached home located in a single-family zone, or (2) a replacement of a single-family detached home resulting in a larger single-family detached home with a net increase of 1,501 square feet or more of Floor Area from the prior home that existed on the property; provided, however, in either event, a covenant shall be recorded against the property prior to the issuance of a building permit for such addition or replacement requiring the owner of the property to pay the Linkage Fee if the home is sold within three years of the issuance of such building permit. The covenant shall automatically expire at the end of such three-year period, if no sale of the property has occurred during such three-year period. However, in the event of a sale of the property within such three-year period, the covenant shall not expire until a notice of covenant termination is recorded. A notice of covenant termination shall be provided by the City upon full payment of Linkage Fee due, based on the fee schedule in effect at the time of payment. The covenant shall run
with the land and bind all successive owners of the property until the Linkage Fee is fully paid.

  g. An Accessory Dwelling Unit as defined by California Government Code Section 65852.2.

  h. Any project located within the boundaries of the Central City West Specific Plan Area, as defined in Ordinance No. 163,094, if the Applicant agrees by covenant and agreement with the City or by development agreement to abide by the linkage fee and replacement housing obligations set forth in the Specific Plan for the Central City West Area.

  i. A residential project that is subject to a greater affordable housing fee requirement or is required to provide one or more physical housing units pursuant to the Mello Act in order to satisfy its inclusionary housing obligations. In that case, the residential component of the project shall be exempt from the Linkage Fee requirements of this Section. Nonresidential portions of mixed-use Coastal Zone projects shall be analyzed separately from residential portions of mixed-use projects for the purposes of the Linkage Fee requirements of this section. Nonresidential portions of such projects shall be subject to this section. The provision of housing units or in-lieu fees to satisfy replacement housing obligations under the Mello Act (as opposed to inclusionary housing obligations) shall not exempt a project from the Linkage Fee requirements of this section.

  j. A residential Development Project that is subject to affordable housing requirements pursuant to any land use policy or ordinance or development agreement that exceeds the Linkage Fee requirements of this section in either fee amount or on-site affordable housing percentages provided in paragraph 19.18.B.2.b.

  k. A residential Development Project that is subject to affordable housing and labor requirements pursuant to LAMC 11.5.11.

  l. Any Grocery Store, provided there is no existing Grocery Store within a one-third (1/3) mile radius of the Development Project site.

  m. Any Adaptive Reuse Project that is a designated Historic-Cultural Monument and is being converted to a residential use.

  n. Any nonresidential Floor Area within a Development Project that is located in the South Los Angeles Transit Empowerment Zone, also referred to as the "Slate-Z" Promise Zone Area, located in Low Market Areas according to the nonresidential area map. This exemption shall
only apply to Development Projects for which a Building Permit Application or complete planning or zoning entitlement application is submitted within three years of the effective date of this ordinance. This exemption will no longer be valid three years after the effective date of this ordinance.

3. **Protests, Adjustments and Waivers.**

   a. An Applicant may protest the imposition of the Linkage Fee and request that the requirements of this section be adjusted or waived pursuant to Government Code Section 66020, *et seq.*, based on a showing that the application of the requirements of this section would effectuate an unconstitutional taking of property or otherwise have an unconstitutional application to the Development Project. Protests shall be filed with the Director.

   b. On or before the date on which payment of the Linkage Fee is due, the Applicant shall pay the amount required by this section and serve a written notice to the Director with all of the following information: (1) a statement that the required payment is tendered, or will be tendered when due, under protest; and (2) a statement informing the Director of the factual elements of the dispute and the legal theory forming the basis for the protest or request for adjustment or waiver, along with the substantial evidence that supports the protest or request, including any supporting documentation. The protest must be filed at the time of approval or conditional approval of the Development Project or within 90 days after the imposition of the Linkage Fee. The City shall provide the Applicant with written notice as required by Government Code Section 66010(d)(1), as that section may be amended from time to time.

   c. If the Director determines that application of the requirements of this section would effectuate an unconstitutional taking of property or otherwise have an unconstitutional application to a Development Project, the fee requirements shall be adjusted or waived to reduce the obligations under this section to the extent necessary to avoid an unconstitutional result. The Director shall render a decision within 75 days from the date the protest was received.

   d. If an adjustment or waiver is granted, any change in the Development Project shall invalidate the adjustment or waiver. If the Director determines that no violation of the federal or state constitution would occur through application of this section, the requirements of this section shall remain fully applicable.

   e. Failure of an Applicant to comply with the protest requirements of this Section or Government Code Section 66020, *et seq.*,
shall bar that Applicant from any action or proceeding or any defense of invalidity or unreasonableness of the imposition of the Linkage Fee.

C. Fee Calculation.

1. The City Council shall adopt, by resolution, a Linkage Fee schedule based on an analysis of the cost of mitigating the impact of the additional demand for affordable housing caused by Development Projects, and on the varying levels of economic feasibility in different geographic areas of the City based on current market conditions. The City Council shall also adopt, by resolution, a map or maps establishing the respective market areas throughout the City that inform the amount of the Linkage Fee to be assessed for a given Development Project.

2. For each Development Project, the Linkage Fee shall be calculated as the amount of new or added Floor Area in the Development Project devoted to the uses described in the Linkage Fee schedule, as determined by the Department of Building and Safety, multiplied by the amount of the applicable fee, as found in the most recent Linkage Fee schedule adopted by City Council, at the time the building permit for the Development Project is issued, minus any deductions or credits.

3. Fee Adjustments and Reports.

a. Annual Inflation Adjustment. The Linkage Fee shall be adjusted annually for inflation beginning on July 1, 2018, by the Director in accordance with the latest change in year-over-year Consumer Price Index for Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County area, or if such index ceases to be published, by an equivalent index chosen by the Director. An updated Linkage Fee schedule shall be maintained by the Department of City Planning, which shall provide a copy of the adjusted schedule to the Mayor and City Council each year.

b. Five-Year Market Area Adjustment. Every five years, beginning on July 1, 2018, the Director, in association with HCIDLA shall undertake a new market area analysis and adjust market areas and geographies, where necessary, to reflect the most up to date rental and sales price information for each of the market areas. Any change to the Linkage Fee schedule other than the Annual Inflation Adjustment described in Paragraph (a) above shall be adopted by resolution of the City Council.
4. **Deductions or Credits.**

   a. **Change of Use.** If the Development Project is the result of a change of use from nonresidential to residential, the Linkage Fee to be paid is the result of subtracting the equivalent fee amount that either was paid or would have been paid, based on the pre-existing use, from the fee amount required to be paid for the new use based on the most recent Linkage Fee schedule approved by the City Council. Deductions or credits shall not be applied to any portion of a Development Project comprised of additional Floor Area resulting from new construction. The calculation of a deduction or credit shall not result in a refund to an Applicant or be applied as a credit to another Development Project in a different location.

   b. **Affordable Housing Units.** Any Restricted Affordable Units as defined in Section 12.22 A.25 of this Code may be subtracted from the total number of dwelling units or guest rooms in a building in determining the required Linkage Fee.

   c. **Mixed Use.** The first 15,000 square feet of nonresidential use in a mixed-use building shall be excluded from the calculation of Floor Area for the purposes of determining the required Linkage Fee.

   d. **Transfer of Floor Area Rights.** Any additional Floor Area that is obtained by a Development Project through the provision of public benefit payments pursuant to LAMC 14.5.9 shall be excluded from the calculation of Floor Area for purposes of determining the Linkage Fee for the Development Project.

   e. **Other Affordable Housing Requirements.** In calculating Floor Area for purposes of determining the Linkage Fee for a Development Project, the following shall be excluded from that calculation:

      1. the Floor Area of the residential portion of a mixed-use Development Project that is subject to affordable housing requirements pursuant to any land use policy or ordinance or development agreement that exceeds the Linkage Fee requirements of this section in either fee amount or on-site affordable housing percentages provided in paragraph 19.18.B.2.b.

      2. the Floor Area of the residential portion of a mixed-use Development Project that is subject to affordable housing and labor requirements pursuant to LAMC 11.5.11.

   f. **Land Dedication.** If the Housing and Community Investment Department accepts, on behalf of the City, an offer by an
Applicant to dedicate land offsite from the proposed location of the Development Project for the purpose of building affordable housing, the value of the land to be dedicated, to be determined as the average of two independent appraisals funded by the applicant, may be deducted from the Linkage Fee amount owed for the Applicant’s Development Project. If the value of the dedicated land is more than the Linkage Fee owed for the Applicant’s Development Project, the City shall bear no responsibility for the difference in value, nor shall that overage be applied as a credit to any future Development Project.

5. **Payment of Linkage Fee.** The Linkage Fee is due and payable by the Applicant prior to the issuance of a building permit for a Development Project. No additional fee shall be required for a project seeking an extension of an expired building permit.

6. **Refunds of Linkage Fee.** Any fee paid under the provisions of this section may be refunded to an Applicant if the application for the building permit has expired and was not utilized to begin construction of a Development Project.

D. **Severability.** If any provision of this ordinance is found to be unconstitutional or otherwise invalid by any court of competent jurisdiction, that invalidity shall not affect the remaining provisions of this ordinance, which can be implemented without the invalid provisions and, to this end, the provisions of this ordinance are declared to be severable. The City Council hereby declares that it would have adopted each and every provision and portion thereof not declared invalid or unconstitutional, without regard to whether any portion of the ordinance would subsequently be declared invalid or unconstitutional.

Sec. 2. Paragraph C is added to Section 16.02 of Article 6 of Chapter 1 of the Los Angeles Municipal Code to read as follows:

C. Payment of the Linkage Fee pursuant to Section 19.18 of this Code.
Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By ADRIENNE KHORASANEE
Deputy City Attorney

Date December 13, 2017

File No. CF 17-0274

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

Ordinance Passed DEC 1 3 2017

Approved 12/13/17
ORDINANCE NO. 188341

An ordinance adding Section 5.582 to Chapter 176 to the Los Angeles Administrative Code to create the Housing Impact Trust Fund for the receipt and use of Linkage Fee monies.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Chapter 176 of the Administrative Code is added to read as follows:

CHAPTER 176

HOUSING IMPACT TRUST FUND

Sec. 5.582. Creation and Administration of the Housing Impact Trust Fund.

(a) There is hereby created and established within the Treasury of the City of Los Angeles a special fund to be known as the "City of Los Angeles Housing Impact Trust Fund" (the Fund).

(b) The purpose of the Fund shall be the receipt, retention and disbursement of monies constituting Linkage Fees as defined in the Affordable Housing Linkage Fee Ordinance, Los Angeles Municipal Code (LAMC) Section 19.18, et seq. The total Affordable Housing Linkage Fee revenues received by the City pursuant to LAMC Section 19.18 shall be placed in the Housing Impact Trust Fund. The Mayor and City Council may establish additional revenue sources and appropriate funds for deposit in the Fund from time to time.

(c) The Fund shall be administered by the General Manager of the Housing and Community Investment Department (HCID) or the General Manager's designee(s), in accordance with established City practices and the provisions of the Fee Mitigation Act (Government Code section 66000, et seq.).

(d) Monies from the Fund shall only be expended within the boundaries of the City of Los Angeles to address the evolving and varied affordable housing needs of the City, pursuant to guidelines promulgated for this purpose by HCID (Guidelines). The Guidelines and any amendments thereto shall be approved by the City Council by resolution. The Guidelines may include funding set-asides for the production and preservation of various levels of affordable housing (extremely low, very low, low, moderate, and workforce income households, including incomes up to 150% of Area Median Income) as those affordability levels are defined in the Guidelines.

(e) Any housing development projects receiving expenditures from the Fund that are 65 units or more and are new construction projects shall be required to utilize
the Project Labor Agreement (PLA) required for projects funded with Proposition HHH bond proceeds.

(f) The General Manager of HCID (General Manager) shall prepare and present to the City Council an annual report identifying all receipts into and all expenditures out of the Fund, as well as the purpose for which each expenditure was made pursuant to the Affordable Housing Linkage Fee Ordinance and the Guidelines. Each report shall cover a fiscal year and shall be submitted within 90 days after the close of that fiscal year.

Moreover, the General Manager shall establish an oversight committee for the Fund, comprised of designees of HCID, the Office of the Chief Legislative Analyst, the Office of the City Administrative Officer, the Department of City Planning and the Mayor’s Office. The oversight committee shall provide opportunity for public input in the development of the General Manager’s annual report to Council. This annual report may include recommendations from the oversight committee regarding amending the fee amount in response to changing market conditions.

(g) The General Manager or his or her designee shall make recommendations to the City Council for expenditures from the Fund. No expenditure may be made from the Fund without the prior approval of the Mayor and City Council, unless otherwise authorized by the Guidelines.

(h) The Fund shall be interest bearing. Interest and any other earnings attributable to monies in the Fund shall be credited to the Fund and devoted to the purposes of the Fund.

(i) All monies loaned from the Fund shall be repaid to the Fund in accordance with the terms of the loan. The repaid principal and interest shall be placed in the Fund.

(j) Any gifts, contributions or other money received for the stated purposes of the Fund and accepted by the City in accordance with the Charter and Codes shall be placed in the Fund. Monies not expended from the Fund at the close of any fiscal year shall not revert to the Reserve Fund of the City, but shall remain in the Fund.
Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By ____________________________
ADRIENNE KHORASANEE
Deputy City Attorney

Date ____________________________

File No. CF 17-0274

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

Ordinance Passed ____________________________

Approved ____________________________
### Proposed Expenditure FY 2019-20 Affordable Housing Linkage Fee Budget

**ATTACHMENT C**

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