

Motion

On July 6, 2018, the Mayor and City Council approved the Los Angeles Housing and Community Investment Department's (HCIDLA's) Naturally Occurring Affordable Housing (NOAH) loan program, which is designed to finance the acquisition and moderate rehabilitation of market-rate multifamily properties. In consideration for the below market rate loan, long-term affordability restrictions are placed on the rehabilitated properties to ensure they remain affordable to low- and moderate-income households. HCIDLA developed the NOAH Program in partnership with the City-supported New Generation Fund (NGF) and California Housing Finance Agency (CalHFA), to help mission-driven affordable housing providers acquire and preserve moderately priced rental housing that is at risk of gentrification.

On July 6, 2018, the Mayor and City Council (C.F. 17-1258) approved HCIDLA's request to fund and execute a NOAH loan agreement with Normandie Lofts KTown LLC, a California Limited Liability Company (Developer) for the Normandie Lofts (Project). The Project is a 50-unit market rate apartment building built in 1928, and located at 167 S. Normandie Avenue, Los Angeles, CA, 90004, in the Koreatown community of Los Angeles, in Council District 10. HCIDLA was provided the authority execute a subordinate residual receipts loan agreement with the Developer in an amount not to exceed \$990,000, to rehabilitate an existing market-rate apartment building. HCIDLA's loan provides \$30,000 per unit and restricts 33 of the units to rents that are affordable to households at or below 80% of the Area Median Income (AMI). In a separate agreement, 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 @ 50% AMI; 34 units @ 80% AMI; and 6 units @ 100% AMI. The New Generation Fund has provided \$7,200,000 for acquisition financing which will be taken out by the permanent loan from CalHFA.

CalHFA is finalizing its underwriting for the Project and has informed HCIDLA that it will provide the Project's soft second subsidy financing in the amount of \$1,500,000. As part of its partnership with CalHFA, HCIDLA is matching CalHFA's funding amount, which will provide financing to units at various income levels ranging from 50% of AMI to 100% of AMI, with an overall average of at or below 80% AMI. Additionally, HCIDLA has recently obtained an additional \$794,000 for the NOAH Program.

I THEREFORE MOVE that the City Council:

- 1) INSTRUCT the HCIDLA General Manager to increase the Normandie Lofts project loan amount from \$990,000 to \$1,500,000, to match the amount provided by CalHFA, and allocate funding equally among the 49 units, which excludes the manager's unit;
- 2) INSTRUCT the HCIDLA General Manager to allow the term of the HCIDLA Loan and Regulatory Agreement to be 40 years, so that it is co-terminus with the CalHFA Loan and Regulatory Agreement; and,
- 3) INSTRUCT the HCIDLA General Manager to modify the NOAH Program to provide funding to various income levels so that the building average is at or below 80% of AMI.
- 4) AUTHORIZE the City Controller to transfer appropriation in the amount of \$794,000 within the Affordable Housing Trust Fund No. 44G from Account 43M357-Local Funding for Affordable Housing to Account 43P678-NOAH Loan Program.

Date: 6/12/19
Submitted in 1756 Committee
Council File No: 18-0276-51
Item No.: Adam R. Lid 6
Deputy: _____

PRESENTED BY: _____
HERB J. WESSON
Councilmember, 10th District

SECONDED BY: _____