

TRANSMITTAL

To: **THE COUNCIL**

Date: **05/19/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to be 'Eric Garcetti', written in a cursive style.

(Matt Szabo) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Ann Sewill, General Manager

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May 13, 2021

Council File: New
Council Districts: Citywide
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Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY TO RELEASE A NOTICE OF FUNDING AVAILABILITY FOR SUPPLEMENTAL CONSTRUCTION FINANCING COMMITMENTS TO EXISTING HCIDLA-FUNDED AFFORDABLE AND SUPPORTIVE HOUSING PROJECTS AND VARIOUS RELATED ACTIONS

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval, and requests authority to open a Notice of Funding Availability (NOFA) to solicit applications for supplemental financing for HCIDLA-funded projects that are currently under construction. This action is recommended to prevent projects from experiencing financial challenges due to current economic and environmental conditions, and from missing critical milestones that put the projects in jeopardy of losing leveraging resources or endangering their long-term project viability.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of HCIDLA, or designee, to issue a NOFA for supplemental construction financing as described in this report. Applications received will be reviewed by HCIDLA, and recommendations will be submitted to the Mayor and City Council for consideration and approval; and,

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

BACKGROUND

In 2020, HCIDLA became aware that some of its borrowers with projects under construction were experiencing financial challenges due to current economic and environmental conditions. Reasons for cost overruns and delays may include unexpected problems with utilities, soil conditions, abandoned oil wells, and dewatering due to heavy rains. A decline in tax credit pricing left some developers with reduced developer fees to absorb change orders beyond the budgeted contingency. As such, the department is requesting authorization to open a NOFA for supplemental construction financing, which is restricted to projects already funded by HCIDLA.

The City has previously undertaken similar efforts in response to the Great Recession (C.F. No. 13-0303-S9) and the unprecedented need for building materials created by Hurricane Katrina (C.F. No. 04-2264). In anticipation of requests for supplemental assistance, HCIDLA conducted a survey to assess the demand for funding. Based on the results, HCIDLA is recommending that supplemental financial assistance be offered under the terms described below.

Eligible Projects

In order to be eligible for consideration of supplemental financial assistance, projects must:

1. Have an HCIDLA-issued Notice to Proceed, but have not received a final Certificate of Occupancy by the time of application.
2. Have experienced a greater than 15% construction cost increase since its tax credit application.
3. Exhausted all available funding options, including a 50% developer fee deferral.
4. Demonstrate that construction can be completed by applicable Placed-in-Service deadlines.

HCIDLA supplemental assistance will only be considered for amounts above the first \$500,000 of a construction funding gap, and limited to \$1.5 million per project. The proposed total amount of assistance available will be limited to \$15 million. Funding sources include the HOME and HHH programs, to the extent existing project commitments are not already at maximum loan limits.

The following minimum documentation requirements must be met for submitted applications:

- Narrative explanation of the increase and description of attempts to cover the overall gap
- Full financial proforma (HCIDLA format)
- Detailed Construction cost increase on America Institute of Architects (AIA) Form G703

Scoring

The selection criteria ranking will be based upon making awards first to projects that meet the above threshold requirements and can meet their full funding gap needs for the lowest amount of supplemental HCIDLA funding per project.

Implementation Schedule

HCIDLA will open the supplemental financing NOFA upon City Council and Mayor approval. The filing deadline for applications will be 30 days from the open date. HCIDLA will process the NOFA application and report back with the funding recommendations.

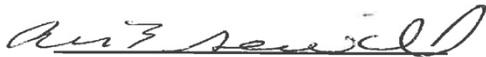
Table 1, below, shows a draft implementation calendar for the supplemental NOFA.

TABLE 1 - IMPLEMENTATION CALENDAR, SUPPLEMENTAL NOFA	
Implementation	Date
Announce Application Opportunity	June 16, 2021
Open NOFA Application	June 30, 2021
Tentative NOFA Application Deadline	July 30, 2021
Post List of Applications received	August 3, 2021
Initial Recommendations	August 2021
Appeals	August 2021
Final Recommendations to City Council and Mayor	September 2021

FISCAL IMPACT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to solicit applications to utilize up to \$7.5 million from HOME Funds and up to \$7.5 million from HHH as appropriate.

Approved By:



ANN SEWILL
General Manager
Housing+Community Investment Department