Affordable Housing Trust Fund
Stakeholders Meeting
October 8, 2014

Draft AHTF Pipeline Regulations
Opening Remarks
Manuel Bernal
Director of Finance & Development
Agenda

- Pipeline Background
- Major Proposed Changes
- HCID’s, CRA/LA Property Disposition Strategy
- Discussions
- 2014 HCID Regulations Timeline
- Contacts
- Closing Remarks
Pipeline Background

2013

- January 2013
  - CTCAC Regulations amended
  - City of LA as the 11th region with its own Geographic Allocation of 9% Tax Credits
- June 2013
  - Mayor and City Council approval of HCID’s Geographic Allocation
  - Adoption and approval of Managed Pipeline Regulations
- July 2013
  - Initial Call For Projects

2014

- January 2014
  - 2nd Call For Projects
- Current Status
  - 31 Projects in the Pipeline
  - TCAC Round 1; 4 AHTF projects awarded allocation
  - TCAC Round 2; 5 AHTF projects awarded allocation
  - Re-structured; 1 project
- Current Analysis
  - Benefits
  - Lessons Learned
31 AHTF Pipeline Projects

Number of Projects by Housing Type

- 9% LIHTC Non-Profit/Homeless, 10 Projects (32%)
- 9% LIHTC Geographic Region, 13 Projects (42%)
- Bond/4% LIHTC, 5 Projects (16%)
- 9% LIHTC Special Needs, 3 Projects (10%)
Transit-Oriented Developments

TOD vs. Non-TOD

- TOD Projects, 24, 77%
- Non-TOD Projects, 7, 23%
Reasons for Major Proposed Changes

• To align AHTF Pipeline Regulations with regulations of other funding sources (TCAC, HCD, etc.)
• To introduce policies consistent with the City’s priorities
• To provide directions and guidance
• To further enhance AHTF Pipeline Regulations and its processes
Major Proposed Changes

- Distribution of Resources
- Conditions for Conversion
- Leasing Guidance Employer Assisted Low Income Housing
- Commercial Space & Calculation of Residual Receipts
- Donated Land & Below Market Value Ground Lease
- Competitive Scoring Criteria
- 9% LIHTC Application Alternates
- Failure to Apply for a Non-City Controlled Financial Resource
Distribution of Housing Resources

Current Issues:

• Non-TOD projects compete poorly
• No existing production goals by housing type
  • No directives to re-structure the financing if a PSH project does not win.
Distribution of Housing Resources (Cont.)

HCIDLA’s proposal:

Geographic Distribution of Resources

- **Consideration # 1**
  - Expand TOD definition to include Commuter Rail & Commuter Express pathways (Refer to Section 5.2.1)

- **Consideration # 2**
  - Loosen the coupling between TOD-based Consolidated Plan and housing resources coordinated by AHTF Pipeline Regulations; targeting specific census tracts, zip codes, and/or Council Districts (Refer to Section 5.2.2)

Distribution of Resources by Housing Type

- **Consideration # 3**
  - Modify the language in the AHTF Pipeline Regulations to clarify the intent that a minimum number of units to be produced annually by housing types (Special Needs, Seniors, Family, etc.) or by percentage (%) distribution of resources by housing type (Refer to Section 5.6)
Conditions for Conversion

• Section 1.10.6

• For Projects entering the AHTF Pipeline beginning November 2015, HCIDLA will require payment of the TOTAL ACCRUED INTEREST on Acquisition-Predevelopment/Construction Loan during construction period

• Payment of Interest will be required at Permanent Loan Conversion
Leasing Guidance
Employer Assisted Low Income Housing

• Section 1.10.7.1

• Effective July 2015, developers of AHTF-funded project may adopt Leasing Preference:
  • For income qualified employees of a for-profit, non-profit, and/or governmental organization
  • HCIDLA will accept Below Market Value of Ground Lease as a financial contribution
  • Provided that the employer’s financial contribution = 45% or more of the appraised land acquisition value
  • Should NOT violate Tenant selection, Affirmative Marketing and Non-discrimination requirements
Commercial Space & Residual Receipts

- Section 1.15

- **Calculation of Residual Receipts**
  - If the total square footage of Commercial Space is more than 11% of the total square footage of the project, the surplus income of Commercial Space will be included in the calculation.

- **Conditions that will allow Commercial Space to be built within an AHTF development:**
  - The Commercial Space does NOT reduce the number of affordable units or increase the cost of the project.
  - The Commercial Space shall NOT be used for bars, liquor stores, restaurants with liquor license, or any other businesses which may lead to tenant’s problems concerning safety and welfare.
  - The total cost to build the Commercial Space is financed wholly and separately by a funding source other than City-controlled funds or tax credit equity.

- **Requirements**
  - Sources & Uses in the Development Budget
  - Financial Pro forma – Cash Flow projections
  - Residential income cannot be used to cover for Commercial’s negative cash flow and vice versa.
Donated Land & Below Market Value of Ground Lease

• Section 5.1.1

• Land donated or leased at NO COST = 15 points

• Below Market Value of Ground Lease (BMV) will now be accepted and awarded points on a pro-rata basis:

\[
\text{Ratio: BMV to the Appraised Value} \times 15 \text{ MAX Points} = \text{BMV Score Points (Round down)}
\]
Donated Land & BMV of Ground Lease (Cont.)

• Section 5.1.1
• Employer Assisted Leasing Guidance: proposed projects in accordance with this, the calculation of their BMV score will be further reduced on a pro-rata basis:

\[
\text{Initial BMV Score Points} \times \left( \frac{\text{# of Employer Assisted Units}}{\text{total units}} \right) = \text{BMV Score Points with Employer Assisted Leasing Guidance (Round down)}
\]
# Scoring Summary

## Competitive Criteria

<table>
<thead>
<tr>
<th>Category</th>
<th>Maximum Points</th>
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</thead>
<tbody>
<tr>
<td>Financial Efficiency (55 Points)</td>
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<tr>
<td>1. Donated Land</td>
<td>15 Points</td>
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<tr>
<td>2. Projected Leverage Ratio</td>
<td>40 Points</td>
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<tr>
<td>Location (35 Points)</td>
<td></td>
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<tr>
<td>1. Alignment with Con Plan</td>
<td>20 Points</td>
</tr>
<tr>
<td>2. High Cost Areas or Underserved Areas</td>
<td>10-15 Points</td>
</tr>
<tr>
<td>Other Policy Objectives (10 Points)</td>
<td></td>
</tr>
<tr>
<td>1. Community Benefit Integration</td>
<td>5 Points</td>
</tr>
<tr>
<td>2. Community Partnerships</td>
<td>5 Points</td>
</tr>
<tr>
<td>3. Special Needs Populations</td>
<td>5 Points</td>
</tr>
<tr>
<td><strong>TOTAL POINTS</strong></td>
<td><strong>100 Points</strong></td>
</tr>
<tr>
<td>Bonus Points (80 Points)</td>
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<tr>
<td>1. Non-City Commitments</td>
<td>50 Points</td>
</tr>
<tr>
<td>2. CRA/LA Commitments</td>
<td>30 Points</td>
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<tr>
<td><strong>TOTAL POINTS INCLUDING BONUS</strong></td>
<td><strong>180 Points</strong></td>
</tr>
<tr>
<td><strong>Negative Points</strong></td>
<td>- ___ Points</td>
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9% LIHTC Application Alternates

• Section 8.5
• Proposed Strategy:
  • To allow more applications for tax credits than there are available 9% LIHTC in the Geographic Apportionment, or
  • To allow a Statewide Set-Aside project to drop to the Geographic Apportionment
  • To do either depending on the circumstances
Failure to Apply for a Non-City Controlled Financial Resource

- Section 8.12
- Projects may propose an uncommitted non-City controlled leveraging source to garner Financial Efficiency points
- Projects admitted to the Pipeline after January 2015, must apply for funding from the next available round of that non-City controlled leveraging source
- Failure to apply will result in recalculation of the project’s verified score
  - If the project’s recalculated score is less than the total point of the lowest ranking project in that Set-Aside or General pool, then the project will be excluded from the Pipeline
HCID's, CRA/LA Property Disposition Strategy

• **Casa de Rosas**
  - 2600 S. Hoover Street (on the corner of Adams Blvd. and Hoover St. in the West Adams District of Los Angeles)
  - An RFP will be issued in December of 2014 in the Call for Projects

• **Other CRA/LA Projects**
  - May also be released for development/bid through the RFP process in conjunction with HCID's Call for Projects
Discussions
# 2014 HCID Regulations Timeline

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>DATE</th>
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<tbody>
<tr>
<td>Housing Committee</td>
<td>September 24, 2014</td>
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<tr>
<td>1st Draft of Amended 2013 Regulations posted for public comments</td>
<td>September 25, 2014</td>
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<tr>
<td>Stakeholders Meeting</td>
<td>October 8, 2014</td>
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<tr>
<td>Last day to respond with comments</td>
<td>October 27, 2014</td>
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<tr>
<td>Deadline for HCIDLA to review comments</td>
<td>November 7, 2014</td>
</tr>
<tr>
<td>Transmittal with revised 2014 Regulations released to Mayor's Office</td>
<td>November 17, 2014</td>
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<tr>
<td>Transmittal scheduled for consideration by Housing Committee</td>
<td>December 3, 2014</td>
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<tr>
<td>City Council approval of 2014 Regulations</td>
<td>December 9, 2014</td>
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<tr>
<td>Mayor's Concurrence (Forthwith)</td>
<td>December 9, 2014</td>
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<td>Fall 2014 Call For Projects-Open</td>
<td>December 15, 2014</td>
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<tr>
<td>Bidders' Conference</td>
<td>January 6, 2015</td>
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<tr>
<td>Fall 2014 Call For Projects - Closed</td>
<td>January 30, 2015</td>
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## HCID Multifamily Finance and Development Division Contacts

<table>
<thead>
<tr>
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Closing Remarks
Manuel Bernal
Director of Finance & Development
Comments due on October 27, 2014 at 12 Noon, send to hcidla.nofa@lacity.org

AHTF Pipeline Regulations can be found at