

**CITY OF LOS ANGELES  
AFFORDABLE HOUSING TRUST FUND PIPELINE  
REGULATIONS, POLICIES, AND PROCEDURES**

**CALL FOR PROJECTS**

**May 22, 2015**  
**January 29, 2016**



# AFFORDABLE HOUSING TRUST FUND PROGRAM REGULATIONS

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**AFFORDABLE HOUSING TRUST FUND PROGRAM REGULATIONS**  
**AHTF PIPELINE DOCUMENT CHECKLIST**

<b>THRESHOLD ITEMS</b>
Applicable items from the following list must be completed and submitted with the AHTF application:
Att_2.1 – Leveraging Source Application Form
Att_2.2 - Evidence of Site Control
Att_2.2.2 - Voluntary Acquisition Letter
Att_2.2.3 – Retroactive Voluntary Acquisition Letter
Att_2.2.3 (1) - Gen. Info. Notice - Residential Tenant Not to be Displaced
Att_2.2.3(2) - Gen. Info Notice - Residential Tenant Who May Be Displaced
Att_2.2.3(4) – Gen. Info Notice – Commercial Tenant Who May Be Displaced
Att_2.5 - Applicant's/Borrower's Certification Statement
<a href="#"><u>Att_2.6.1.3 – List of Properties</u></a>
Att_2.7 – <del>Letter of Support Letter of Acknowledgement from the Council Office</del>
Att_2.9.1 - Organization Chart
Att_2.9.2 - List of Properties
Att_2.9.3 - List of Entities and Names of Partners
Att_2.9.4 – Credit Check Authorization Form
Att_2.9.5 - List of Board of Directors
Att_2.9.7 – Board Resolution
Att_2.10 - Site Photos
Att_2.11 – HCIDLA Financial Proforma with Notes and Assumptions
Att_2.12.1 - Appraisal Report
Att_2.12.2 - Phase I and/or II Reports
Att_2.12.3 - Lead & Asbestos Report(s) or Letter(s) in lieu of report(s)
Att_2.13 – Assurances and Conditions Form
Att_2.14 – Affordable Housing Entitlement Self-Certification Form
Att_2.16 – Conceptual Architectural Plans or Schematics
Att_2.17 – HCIDLA Competitive Criteria Self-Score Form

Att_2.18 - TCAC Application Part VI, Point System - Section F - Lowest Income
Att_2.20 (1) – Relocation Plan
Att_2.20 (2) – Relocation Consultant’s Resume / Qualifications
Att_2.20 (3) – Relocation Tenant Rent Roll
Att_2.20 (4) – Relocation – Project Summary Assessment
Att_2.21.1 – TOD: Labeled Map
Att_2.21.2 – TOD: Scaled Distance Map and Parcel Map
Att_2.21.3 – TOD: <u>Heavy and/or Light Rail Train, BRT, RBT Schedules</u> <u>Orange-Line Bus/Train/Subway Schedule</u>
<u>Att_2.23 – Soils Report</u>
<u>Att_2.24 – Self-Certification Form for Compliance to Access Standards</u>

	<b>ADDITIONAL THRESHOLD ITEMS</b> (If applicant is proposing to garner self-score points for general partner/management company experience, CHDO certification, <u>SDDA</u> ), <u>high-cost areas</u> , <u>access compliance</u> :
I01	<u>Att_5.2.1 – General Partner Experience</u>
I02	<u>Att_5.2.2 – Management Company Experience</u> <u>and Letter of Interest from the Property Management Company</u>
I03	<u>Att_5.2.3 – CHDO Certification Letter from HCIDLA</u>
I04	<u>Att_5.3.2 – <u>SDDA Area: SDDA Labeled Map</u> <u>High-Cost Areas: Labeled Census Map and Census Data with Household Income Figures</u> <u>or Underserved Area Labeled Map</u></u>
<del>I05</del>	<del><u>Att_7.4.1 – Access Compliance Certification</u></del>

<b>EXHIBIT LIST</b>
Exh01 – HCIDLA Architectural Guidelines
Exh02 – Planning Department CEQA Process
Exh03 – HUD Section 3 Requirements
Exh04 – Instruction for Completing Property Management Plan
Exh05 – Guidance on CHDOs

# AFFORDABLE HOUSING TRUST FUND PIPELINE REGULATIONS

## INTRODUCTION

The City's goal, through the Affordable Housing Trust Fund Program (AHTF), is to create housing for low and very-low income households within the City. The purpose of these Affordable Housing Trust Fund Pipeline Regulations, Policies, and Procedures (AHTF Regulations) is to document the policies, rules and regulations governing the Federal, State and local funding administered by the City of Los Angeles through the **Housing and Community Investment Department of Los Angeles (HCIDLA)** to assist in the creation of affordable housing.

The housing created through the AHTF is intended to serve all populations identified by the California State Tax Credit Allocation Committee (CTCAC), [the California Debt Limit Allocation Committee \(CDLAC\)](#), the California Department of Housing and Community Development (HCD), and the U.S. Department of Housing and Urban Development (HUD). The housing created should not only provide additional housing opportunities, but should also attempt to revitalize neighborhoods and remove blight. Irrespective of the funding scenarios, all projects should seek to leverage limited City funding to the greatest extent possible.

These AHTF Regulations are intended to support the policies of the 9% LIHTC Pipeline Management Plan, as revised.

### **Questions and Technical Assistance**

All questions (including those regarding the AHTF Regulations, or the online system) must be submitted via the “Ask a Question/FAQ” function of the online CALL FOR PROJECTS application. This includes requests for any online technical assistance.

To ensure the fair and consistent distribution of information, all questions will be answered in the FAQ Section of the online application. **Questions will not be accepted via email, phone, or by any means other than the online application.** No individual answers will be provided. The FAQ page will be updated on a regular basis to ensure the prompt delivery of information.

### **Submittal Deadlines**

#### *CALL FOR PROJECTS ONLINE APPLICATION*

The deadline to submit applications is 11:59 p.m., on [July 29, 2016](#).

The application should include an electronic copy of schematic drawings or conceptual architectural plans (Attachment\_2.16 of the online application) and an electronic copy of the electronic application excluding attachments, for the proposed leveraging source/s that is consistent with Section 2.1 (Attachment\_2.1 of the online application).

Proposals will be accepted via the online Call for Projects application only. Any modification of forms and templates provided by HCIDLA is not allowed. Applications and other application-

related documents submitted after the deadline will not be accepted for processing. All applicants are encouraged to file their applications as early as possible. HCIDLA reserves the right to waive minor technical deficiencies in the application.

**AFFORDABLE HOUSING TRUST FUND  
~~2016~~ ~~2015~~ HCIDLA REGULATIONS TIMELINE**

DESCRIPTION	<u><b>Tentative Date*</b></u>
HCIDLA Regulations posted	<u>May 31, 2016</u>
Call For Projects Bidders' Conference	<u>June 14, 2016</u>
Call For Projects Applications due by 11:59 p.m.	<u>July 29, 2016</u>
Self scores published	<u>August 3, 2016</u>
Last day to appeal	<u>August 29, 2016</u>
Appeals Process	<u>September 5, 2016</u>
Final Scores and <u>AHTF</u> Pipeline Transmittal Released to Mayor's Office	<u>September 30, 2016</u>
Item scheduled for consideration by Housing Committee	<u>November 30, 2016</u>
Item scheduled for City Council consideration	<u>December 7, 2016</u>
Mayor's concurrence (if forthwith)	<u>December 7, 2016</u>

\* The Timeline is subject to change. Any modifications to the Timeline will be posted on the AHTF webpage.

## **SECTION 1 GENERAL PROVISIONS**

Through this Call For Projects and the AHTF's 9% LIHTC Pipeline Management Plan, the Housing and Community Investment Department of Los Angeles (HCIDLA), intends to plan for, solicit, evaluate, select, rank, project-manage and fund (with its public funds and access to Low Income Housing Tax Credits or LIHTC) the rehabilitation, construction and preservation of multi-family rental housing to address the needs of low and very-low income households.

### **1.1 Awards Available**

Periodically, and as contained in the 9% LIHTC Pipeline Management Plan, at least twice per year the HCIDLA will publish the amount available for funding. The amount available for allocation will be determined by Federal, State and/or local funding availability at the time. This will determine how many projects the HCIDLA will admit into the AHTF Pipeline.

### **1.2 Housing Type**

Also contained in the 9% LIHTC Pipeline Management Plan, at least twice per year the HCIDLA will determine what type of housing (target population, affordability, location, etc...) it wants to prioritize. This will determine which types of projects the HCIDLA will admit into the AHTF Pipeline.

Projects submitted under the 9% LIHTC Pipeline Management Plan and its Call For Projects, and administered through these AHTF Regulations should be structured utilizing one or more of the following funding sources:

1. 9% Low Income Housing Tax Credits;
2. Other public funds combined with tax-exempt bonds with 4% LIHTC; or
3. Other committed public or private sources.

Regardless of the leveraged funding source, all projects are to be underwritten assuming 100% HOME Investment Partnership Program Funds (HOME). HCIDLA's funds must eventually be used in a manner consistent with the AHTF Regulations applicable to the leveraging source(s). Projects that obtain funds from HCIDLA and require the issuance of bonds must use HCIDLA as the issuer of those bonds.



### 1.3 **Term of Funding Commitment**

Successful applicants under the Call For Projects will be tentatively assigned a tax credit round under which to apply and be required to apply for that proposed leveraging source at that time. To the extent that the project has received approval from HCIDLA for “Readiness” (see Section 7), and if AHTF Funds are available, funding commitments will be issued by HCIDLA prior to 9% CTCAC Funding Round for which a project has been queued to apply for a tax credit allocation, or prior to a CDLAC Application.

The AHTF commitments are contingent upon the project’s receipt of an award from its identified leveraging source after applying to such source no more than two (2) times.

### 1.4 **Eligible Applicants**

Applicants must comply with HCIDLA’s funding source requirements. Applications will be accepted from non-profit developers, for-profit developers, joint ventures, limited liability corporations, and limited partnerships.

HCIDLA may deny applications from individuals or entities that have not met current obligations to the City, as identified in **HCIDLA’s Business Policy** (Section 7.7). All applicants are subject to background checks to ensure compliance with the Business Policy, in addition to HCIDLA Code, Rent Registration, and Occupancy Monitoring requirements. Submittal of a proposed project by an applicant that is not in compliance may result in disqualification of the project based on threshold criteria.

For the purposes of conducting an internal background check by HCIDLA Staff, Applicants must submit a List of Properties (Attachment\_2.9.2) and List of Partners and Entities (Attachment\_2.9.3). Any delinquencies or other HCIDLA Business Policy compliance issues must be resolved **prior to** the issuance of an AHTF commitment.

### 1.5 **Eligible Projects**

**The HCIDLA, through the bi-annual Calls For Projects, will determine, how many and which types of multi-family affordable rental housing developments it will accept for addition into the AHTF Pipeline.**

All multi-family rental housing projects must use the following minimum rent standards for units which are to be assisted with HCIDLA funding:

- All units assisted by HCIDLA must be affordable to households at or below 60% of the area median income (AMI) for the Los Angeles-Long Beach CA HUD Metro FMR Area. Income targeting must occur across all proposed unit types.
- In addition to complying with the HUD HOME rents or more restrictive affordability standard, rents for the affordable units must be set at least 10% below market rents in that neighborhood as established by a current independent appraisal or market study as required in Section 2.12.1 of these AHTF Regulations.

- Units must comply with the affordability requirements of the applicant’s identified leveraging source.

## **1.6 Permanent Supportive Housing Projects**

To compete as a Permanent Supportive Housing project, the proposed development must serve extremely and very low income, chronically homeless special needs individuals and veterans, homeless families, homeless transition-aged youth (TAY), homeless seniors, homeless disabled and homeless frequent users of County Los Angeles services. At least fifty percent (50%) of the units within the project must house households who are:

1. Moving from an emergency shelter; or
2. Moving from transitional housing; or
3. Currently homeless, which means:
  - a. An individual who lacks a fixed, regular and adequate nighttime residence; or
  - b. An individual who has a primary nighttime residence that is:
    - i. A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and Transitional Housing for the mentally ill); or
    - ii. An institution that provides a temporary residence for individuals intended to be institutionalized; or
    - iii. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

In addition, a minimum of 50% of the units reserved for single adults must serve persons with special needs who are chronically homeless. ~~To be considered chronically homeless, a person must have been continuously homeless for one year or more, or had at least four episodes of homelessness in the past three years. Special needs include, but are not limited to, a diagnosable substance abuse disorder, serious mental illness, developmental disability, or chronic physical illness or disability, including the co-occurrence of two or more of these conditions. Persons must have been sleeping in a place not meant for human habitation (e.g., living on the streets) and/or in an emergency homeless shelter during that time. A “chronically homeless” individual is defined to mean a homeless individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility. In order to meet the “chronically homeless” definition, the individual also must have been living as described above continuously for at least 12 months, or on at least four separate occasions in the last 3 years, where the combined occasions total a length of time of at least 12 months. Each period separating the occasions must include at least 7 nights of living in a situation other than a place not meant for human habitation, in an emergency shelter, or in a safe haven.~~

Units that do not serve single homeless adults are not subject to the above requirement on “persons-with-special-needs-who-are-chronically-homeless”.

As a condition of “Project Readiness”, projects must include a supportive services plan and budget as outlined in Sections 3.3 and 7.15 of these AHTF Regulations and must have a commitment for sponsor-based or project-based rental assistance for no less than fifty percent (50%) of the units in the proposed project, with a contract term of no less than five (5) years, as evidenced at minimum by a letter of intent from the appropriate governmental entity.

Projects will be required to receive applicant referrals from applicable County Departments and will be required to collaborate with the County Departments on the final supportive services plan to serve this population. Applicants are encouraged to complete as much of the supportive services plan as possible and should indicate in it that they will collaborate with the County Departments on the final supportive services plan. *NOTE: While the County Departments are committed to collaborating with projects serving chronically homeless individuals with special needs on supportive service plans to serve this population, it is understood that some projects may serve more than one population and the County Departments would seek to collaborate with projects to coordinate supportive services across the various populations as much as is feasible.*

Where discrepancies exist between these AHTF Regulations and HACLA’s PBV Notice of Funding Availability requirements, HACLA requirements will prevail.

### 1.7 **Eligible Activities**

Specific eligible activities are prescribed by HCIDLA's funding sources. AHTF Regulations vary by type of developer (for-profit or non-profit), funding source, and other sources of project financing present in the project. HCIDLA funds can generally be used for acquisition, predevelopment reimbursement and rehabilitation or construction related costs. **The AHTF will not provide financing for the purpose of acquisition only or for the sole purpose of refinancing existing debt.**

Funds are available for:

- Acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs and relocation expenses.
- Construction and permanent financing expenses including demolition, off-site public improvements, construction bonds; general contractor and subcontractor payments including overhead, profit and general conditions.

Any net reduction in the number of units must be necessary to improve habitability or marketability of the project. However, if a new construction project entails relocation or permanent displacement, at minimum, the project must net 100% more units (i.e., double) than the amount to be demolished.

Where refinancing is necessary to preserve an existing 100% affordable project, the applicant must demonstrate that:

- Rehabilitation is the primary eligible activity and that the hard costs of rehabilitation are at least \$40,000 per unit;
- The property is in distress and disinvestment has not occurred;
- The long term needs of the project can be met and the feasibility of serving the targeted population over an extended affordability period can be demonstrated;
- The new investment is being made to maintain current affordable units, create additional affordable units, or both;

### **1.8 Ineligible Activities**

Ineligible Activities include:

- Applying for AHTF awards for the sole or partial purpose of repayment of a current City or non-City residual receipts or “soft” loan;
- Reapplying for AHTF awards for the same proposed project using another source of leveraging while an AHTF commitment is still outstanding;
- Payment for the relocation of persons engaging in criminal activity or undocumented immigrants as defined by HUD in section 49 CFR Part 24;
- The payment of delinquent taxes, fees or charges on properties to be assisted with HOME funds;
- The repayment of multifamily loans made or insured by any Federal program, including CDBG;
- Financing for the purpose of acquisition only or for the sole purpose of refinancing existing debt;
- Capitalization of any kind of project reserves.

### **1.9 Density Bonus, Land Use Covenant**

Projects approved under Section 12.22 A.25 of the Planning and Zoning Code (*including parking reductions*) implement the State’s Density Bonus Law (SB 1818) which sets

forth provisions and procedures for housing developments to receive a density bonus and other incentives provided a requisite number of dwelling units are set aside for Low or Very Low Income Households as defined by Sections 50079.5 and 50105 of the California Health and Safety Code. These rent limits are based on income limits published by HCD and are lower than IRS Code Section 42 LIHTC (CTCAC) rent limits. Applications for projects seeking a Density Bonus, including reduced parking or any other incentives, must be consistent with the rent limits published by the HCD.

**Applicants are strongly advised to confirm the requirements with HCIDLA's Occupancy Monitoring and Land Use Divisions prior to submitting an application under these AHTF Regulations.**

The Occupancy Monitoring and Land Use Divisions can be reached at (213) 808-8806.

### **1.10 Loan Terms and Conditions**

**1.10.1 Type** - Acquisition, Predevelopment and Construction or Permanent Financing only.

**1.10.2 Interest Rate** - The interest rate for all loans is Four Percent (4%) simple interest. HCIDLA reserves the right to negotiate a higher or lower interest rate if it is found to be beneficial to the project.

**1.10.3 Calculation of Interest** - Simple interest will be calculated on the loan amount outstanding and based upon a 365-day year and actual number of days elapsed.

**1.10.4 Payment** – Interest will be paid from residual receipts of the project. Unpaid interest will be deferred and due at maturity of the loan.

**1.10.5 Term** - Forty-Two (42) Years (i.e. a 24-month construction period plus 40-year permanent loan period). HCIDLA reserves the right to negotiate a longer term if it is determined to be necessary for financial feasibility.

**1.10.6 Conditions for Conversion** – HCIDLA will not allow a construction loan to convert to a permanent loan unless the following conditions are met:

- Receipt of a Certificate of Occupancy, a Temporary Certificate of Occupancy or acceptable evidence of final sign-off from the Los Angeles Department of Building and Safety;
- Achievement of 90% occupancy;
- HCIDLA receipt of complete rent rolls;
- Evidence of application for property tax abatement if original proforma contemplated tax abatement;
- Evidence that any conventional debt for the project has closed or will close concurrently;

- Payment of the total interest on HCIDLA's Acquisition-Predevelopment/Construction Loan that shall have accrued during construction period (applicable to projects that will be included in the AHTF Pipeline beginning 2015 and thereafter).

### **1.10.7 Leasing Preference and Relocated/Displaced Tenants**

The applicant/developer is required to retain up-to-date records of the relocated/displaced tenants' addresses and to properly notify said tenants of lease-up information. Copies of the notices, with proof of delivery, must be delivered to HCIDLA for all tenants that were listed in the Relocation Tenant Rent Roll.

#### **1.10.7.1 Leasing Preference - Permanent Supportive Projects**

For AHTF-funded Permanent Supportive Housing projects using Project-Based Vouchers, developers must comply with the leasing preferences outlined in the Housing Authority of the City of Los Angeles PBV NOFA, which includes but is not limited to the requirement that both initial and ongoing vacancies of PBV units are filled using developer-created and maintained PBV Waiting Lists for the site (to be monitored by HACLA) or by referrals from the County Health Departments or Veterans Affairs, as appropriate. HACLA may also refer PBV applicants from the Section 8 tenant-based Housing Choice Voucher Program waitlist.

The County Departments will be responsible for developing and managing the client referral process into all of the housing PBV units set aside for this population at initial lease-up and subsequent unit turnover.

~~The HCIDLA is participating with the HACLA, the Los Angeles Homeless Services Authority (LAHSA), the Los Angeles County Departments and other organizations with the development of a Coordinated Entry System (CES) to ensure that high acuity chronically homeless persons are prioritized for housing. When the CES is operational, these projects will be required to participate in that system.~~

The Los Angeles Homeless Services Authority (LAHSA), Los Angeles County departments of Health Services (DHS) and of Mental Health (DMH) have developed Coordinated Entry Systems (CES) to ensure that high acuity chronically homeless persons are prioritized for housing. In units designated for homeless individuals, projects may use CES and have leasing preferences. Projects that are not Permanent Supportive Housing Projects may request to use coordinated entry or similar system to serve the homeless, subject to the discretion and approval of HCIDLA.

**1.10.8 Misrepresentations or Material Changes to the Project**

Any changes regarding the borrowing entity or changes to the project's design, including but not limited to unit count, unit configuration, and/or financial structure of either the applicant or the project subsequent to the submittal of the AHTF application must receive HCIDLA's written approval; otherwise, HCIDLA reserves the right to withdraw its commitment. In the event misrepresentations are made regarding either the borrowing entity or the project, HCIDLA's commitment will be cancelled.

**1.10.9 Equity Share**

For any loan funded by the HCIDLA, if the borrower fails to perform within a specified period of time and the property is ultimately sold, HCIDLA will be entitled to a share in any appreciation that has occurred between the price paid at acquisition and the time of sale. HCIDLA's share in the appreciation will be equal to the proportion of the HCIDLA loan amount to the original purchase price of the property.

**1.10.10 Repayment**

Acquisition/Pre-Development and Construction Loans – For projects that are included in the AHTF Pipeline prior to 2015, payment of principal and interest will be deferred during the predevelopment and construction periods as long as the project is not in default. For projects that are admitted to the AHTF Pipeline on and after 2015, only the principal on the HCIDLA Loan will be deferred; interest on outstanding balance accrued during the predevelopment and construction period shall be payable to HCIDLA.

Permanent Loans - Permanent Loans are generally repaid through a residual receipts note which allows the project to repay principal and accrued interest when adequate cash flow is available for distribution. HCIDLA shall receive its pro-rata share of the cash flow remaining after the following allowable deductions: (1) operating expenses calculated on a cash basis; (2) debt service on senior project debt; (3) payments to the operating reserve fund; (4) payments to the replacement reserve fund; (5) deposits to the supportive services reserve fund; (6) repayment of general partner loans; (7) deferred developer fees; and (8) related party management fee up to fifteen thousand dollars (\$15,000).<sup>\*</sup> HCIDLA does not allow any other fees to be deducted prior to payment of residual receipts to the HCIDLA.

*\* The maximum allowable pre-approved related party management fee is up to \$15,000. This fee must be substantiated prior to the closing of the loan by the developer and cannot include charges for any office overhead for the development of the project or project operating expenses.*

**1.10.11 Security**

The HCIDLA loans will be evidenced by a promissory note and secured by a deed of trust.

**1.10.12 Subordination**

The HCIDLA may, at its discretion, subordinate repayment, security positions and affordability covenants to a conventional lender or other public agency lender.

**1.10.13 Affordability Covenant/Regulatory Agreement**

For all proposed projects, the required term of the affordability covenant will be fifty-five (55) years from the completion of construction, or the maximum required by CTCAC, MHP, HUD or CDLAC, whichever is longer. The affordability covenant remains in effect for no less than the agreed-upon term regardless of the date upon which the HCIDLA loan is fully repaid.

**1.10.14 Default**

The loan agreement will specify the events that may cause HCIDLA to declare the borrower in default. These events include, but are not limited to:

- Development or operational cost overruns;
- Failure to construct the proposed project within the time agreed;
- Breach of rental covenants;
- Failure to maintain the property;
- Failure to make agreed-upon loan repayments;
- Failure to receive an HCIDLA approval prior to any change in ownership entity;
- Breach of affirmative action, equal opportunity, contractor responsibility, equal benefits or MBE/WBE requirements;
- Failure to submit annual financial statements certified by a certified public accountant;
- Failure to comply with Davis-Bacon or State Prevailing Wage requirements;
- Failure to comply with all applicable accessibility standards, including but not limited to: Section 504 of the Rehabilitation Act of 1973 as amended, Title VIII of the Civil Rights Act of 1964 as amended in 1988 by the Fair Housing Act Amendments, and the Americans with Disabilities Act Title II;
- Failure to maintain appropriate insurance coverage;
- Commencing construction (including demolition) without HCIDLA authorization;
- Failure to abide by development and/or construction schedules;
- Failure to maintain the project “in balance” during construction;
- Bankruptcy;
- Dissolution or insolvency of the ownership entity;



- Failure to adhere to construction cost limits as stated in Section 3.7 of AHTF Regulations.

### **1.11 Environmental Review**

The National Environmental Policy Act (NEPA) was established in 1969 to give environmental values appropriate consideration in decision-making with regard to federally-funded projects. Because all projects funded under these AHTF Regulations assume federal funds, the environmental review process and clearance must meet NEPA standards. Therefore, the applicant shall not undertake or commit any funds to physical or choice-limiting actions, including further property acquisition, demolition, movement, rehabilitation, repair or construction prior to receiving a NEPA environmental clearance from HCIDLA. Violation of this provision may result in the denial of funds.

An option agreement on a proposed site or property is allowable prior to completion of the environmental review, if the option agreement is subject to a determination by the HCIDLA on the desirability of the property for the project as a result of the completion of the environmental review in accordance with 24 CFR Part 58 and the cost of the option is a nominal portion of the purchase price.

In addition, projects must meet the requirements of the California Environmental Quality Act (CEQA) and obtain CEQA clearance through the City of Los Angeles' Department of City Planning (Exhibit 02). NEPA and CEQA environmental laws differ in their requirements; project approval under CEQA does **not** constitute NEPA project approval, and vice-versa.

The provision of any funds to the project is conditioned on HCIDLA's determination to proceed with, modify or cancel the project based on results of the NEPA environmental review. An initial letter stating that funds will be awarded to the project does not constitute a commitment of funds or site approval until satisfactory completion of a NEPA environmental review with a letter of clearance and receipt by the City of Los Angeles of a Release of Funds from HUD under 24 CFR Part 58.

### **1.12 Other Public Benefit Requirements**

#### **1.12.1 Section 3 (Local Hiring); Minority Business Enterprises/Women Business Enterprises (MBE/WBE) Requirements**

Applicants utilizing HCIDLA funds must certify that the general contractor, subcontractors and/or service providers will comply with HUD Section 3 requirements to provide opportunities for employment to lower-income neighborhood residents in the City of Los Angeles. Further, to the greatest extent feasible, contracts in connection with these projects are to be awarded to local businesses. In addition, contractors, subcontractors and/or service providers will be expected to adhere to the City's Affirmative Action Requirements.

**1.12.2 Article XXXIV (Article 34) Requirements**

All projects, both new construction and rehabilitation, must be in compliance with Article XXXIV (or Article 34) of the California State Constitution.

**1.13 Property Management**

HCIDLA reserves the right to approve the property management firm for each project. If during the life of the project, HCIDLA determines that the costs associated with management of the property are higher than those of comparable projects, or that the property management company is not acting in good faith, HCIDLA may require a change in the property management provider. Prior to completion of construction, developer must prepare a Property Management Plan (PMP) in accordance with HCIDLA requirements and receive approval of that PMP prior to lease-up. All affordable housing units must be leased within six (6) months ~~prior to~~ of completion.

**1.14 Amendment and Modification Fees**

HCIDLA will impose a \$2,500 fee to cover costs associated with modifications and amendments when they are requested at the behest of the applicant.

**1.15 Commercial Space and Calculation of Residual Receipts**

Commercial Space is defined as all non-residential space that is a structurally integral part of, and within the envelope of a mixed-use development. A non-residential space that is used by the property owner primarily for the benefit of the tenants, (e.g. laundry room, community room, etc.), shall not be considered a Commercial Space.

The Sources and Uses of Funds in the development budget as required in Section 2.11, shall contain detailed line items and apportioned amounts for its commercial component that are separate from its residential component. The financial proforma shall include cash flow projection for residential and commercial space. The income from the residential portion of the project shall not be used to support the negative cash flow of its commercial portion. Similarly, the income from the commercial portion shall not support the negative cash flow of the residential portion.

The applicant/developer must demonstrate, to the satisfaction of HCIDLA, that the total cost to build the Commercial Space is financed wholly and separately by a funding source other than the City-controlled funds. The surplus cash generated by the commercial space shall **NOT** be included in the calculation of residual receipts.

The HCIDLA reserves the right to disapprove commercial space tenants that will use the commercial space for any business that cater exclusively to adults which may lead to tenants' problems concerning safety and welfare.

**1.16 Fair Housing Policy in Regard to Disability**

Projects must follow the "Fair Housing Policy in Regard to Disability", which details affirmative marketing, reasonable accommodations/ modifications, and tenant selection requirements, as they relate to compliance with California's Fair Employment and

Housing Act (FEHA) and its Unruh Act, the federal Fair Housing Act (FHA), The Rehabilitation Act of 1973, Section 504 (§504) and the Americans with Disabilities Act (ADA).

### **1.17 Building Permits**

Solely for 9% LIHTC projects, if AHTF Funds **are NOT disbursed for acquisition at escrow closing**, the HCIDLA will accept a “Ready-To-Issue” letter in-lieu of a building permit as a condition of the AHTF loan closing. This letter shall be issued by the Los Angeles Department of Building and Safety. If AHTF Funds are disbursed for acquisition at escrow closing, then HCIDLA will require a building permit at AHTF loan closing.

For Bond/4% LIHTC projects, the HCIDLA shall continue its policy on requiring building permits prior to any AHTF loan/Bond closing.

## SECTION 2 THRESHOLD REQUIREMENTS

For applications to be considered complete, all applicable items in the Support Documents tab must be submitted. Proposed projects must meet the minimum Call For Projects threshold requirements for new construction and/or rehabilitation projects. If an application does not meet these threshold requirements, it will not be considered for acceptance into the AHTF Pipeline. Determination of completeness and compliance with thresholds and scoring of the application shall be based entirely on the application and all documents submitted therewith as of the filing deadline. No additional documents shall be accepted subsequent to the application filing date.

### 2.1 Leveraging Source Application

In combination with the HCIDLA online Call for Projects application, applicants must upload **one (1) electronic version of a completed application (excluding attachments) for the proposed leveraging source; no hard copies are accepted.** The specific documents required are listed below:

If the applicant/developer will be applying for 9% LIHTC from CTCAC, then:

- A most recent, completed, “9% Competitive Tax Credit Application form” in MS Excel is required;

If the applicant/developer will be applying for 4% LIHTC from CTCAC, then:

- A most recent, completed, “4% Tax Credit Application form” in MS Excel is required;

In addition to the 9% or 4% LIHTC Application, if the applicant/developer will be applying for MHP, Prop 1C Funds, VHHP (Proposition 41 Program) Funds, or AHSCP Funds from State HCD, then the following documents are required:

- A most recent Universal Application form from the California Department of Housing and Community Development,  
**and:**
  - MHPApp1C\_7 Attachment; or
  - SHMHPApp1C\_7 Attachment; or
  - VHHP Application Attachment; and/or
  - AHSCP Funding Application (scanned hard copy) including the AHSCP Scoring Sheet;

Regardless of the type of leveraging source, the following items must be indicated in the application:

- Amount of 9% Federal LIHTC being requested (for 9% projects only);
- Amount of 9% State LIHTC being requested (for 9% projects only);
- Amount of 4% Federal LIHTC being requested (for Bonds/4% projects only);
- Tax credit price of Federal LIHTC;
- Tax credit price of State LIHTC;
- Total eligible basis amount;

- Total Adjusted Threshold Basis Limit Amount;
- Permanent Financing Sources (proposed and/or committed);

Applicable attachments for the leveraging source application are not required at Call For Projects application. However, the applicant must submit an executed Self-Certification Statement (Attachment\_2.5) indicating that the affordable housing development can achieve the maximum points based on the scoring system of the most recently adopted CTCAC Regulations.

## 2.2 **Preliminary Title Report and Site Control**

### 2.2.1 **Demonstration of Site Control**

Regardless of the type of site control documents that will be submitted, all applicants/developers shall submit with the application, a copy of a Preliminary Title Report on the property/ies that is prepared within ninety (90) days from the application deadline.

A proof of site control must be submitted at the time of application. Evidence of site control may be demonstrated by any of the following documents:

- ~~Fee title as demonstrated by a current title report;~~
- Long-term leasehold interest (minimum term must equal the term of HCIDLA regulatory agreement);
- Option to purchase or lease (obtaining financing shall be the sole impediment to exercising the option);
- Executed land sale contract or other enforceable agreement for acquisition of the property;
- An executed Disposition and Development Agreement with a public agency (e.g., the Community Redevelopment Agency);
- An Exclusive Negotiation Agreement that contains self-executing language that leads to granting of development rights based on satisfaction of certain conditions.

The relative agreement must be (1) executed by both parties, including the principal of the developer and (2) provide site control for at least 90 days beginning from the deadline for submission of the Call For Projects application; the 90 days can include all extensions provided in the agreement. In the event that City Council and Mayoral approval takes longer than 90 days, the City will require confirmation of continuing site control prior to taking the project to City Council.

HCIDLA will make available a reasonable amount of information on the status of each application under review at several milestones, including, but not limited to, initial applicant list and release of staff recommendations to City Council, prior to the final approval by City Council and concurrence by the Mayor. However, HCIDLA cannot commit to providing a formal acceptance into the AHTF Pipeline in less than 180 days from the deadline for submission of the Call for Projects application.

### **2.2.2 Proof of Voluntary Acquisition**

Voluntary Acquisition Letters (Attachment\_2.2.2) must be submitted at the time of Call For Projects application.

AHTF commitments assume the use of Federal funds. Therefore, each purchase option or purchase agreement submitted in fulfillment of this threshold requirement must contain an acknowledgement that even though government funds may be used in the acquisition of the property, the property will not be acquired through the use of eminent domain.

Regardless of whether relocation is involved, documentation regarding the voluntary acquisition of the property must be submitted as part of the AHTF application. Proof of voluntary acquisition shall consist of a letter typewritten on the Developer's/Applicant's letterhead and addressed to the seller/previous property owner, stating that the Developer/Applicant is interested in acquiring the property for a proposed project that may receive funding assistance from HUD, but that the Developer/Applicant does not have the authority to acquire the property through eminent domain. The letter must also include the offer amount, which must be representative of the current market value.

If the property has already been acquired, a retroactive Letter Regarding Voluntary Acquisition is required, regardless of the length of time the developer has been in possession of the property. The developer must provide the HCIDLA with the written notice that was sent to the seller, evidence that the seller received it, and documentation regarding the method used to determine the fair market value. If the developer is unable to provide the letter at the time of Call For Projects application, a statement of assurance must be submitted with the application, stating that all attempts will be made to meet the requirement prior to the issuance of an HCIDLA funding commitment.

For properties that were acquired via a ground lease from an agency with the powers of eminent domain, acquisition information from the agency will be required prior to loan closing.

Applications not meeting the above criteria will be automatically rejected and will not be considered for further review during the current Call for Projects. Applications can be re-submitted in a future Call for Projects.

### **2.2.3 General Information Notices**

URA Regulations require that persons living in housing where federal funds will be utilized for acquisition, rehabilitation and/or redevelopment of the project, be notified that they will not or may be displaced as a result of the proposed project. HUD requires that tenants be provided with a General Information Notice (GIN) (Attachment\_2.2.3) as soon as feasible. For the purposes of these AHTF Regulations, the term "as soon as feasible" is defined as the application deadline date for the Call For Projects. It is therefore required that copies of the General Information Notices sent to each of the tenants residing at the project site be

submitted with the Call For Projects application, along with proof that the notices were received by the intended recipients. In addition, the GIN must state that local, State, and/or Federal regulations regarding relocation or displacement payments may apply. The exception to this requirement is if the developer can provide evidence of good cause as to why it was infeasible to issue GINs and provide proof of service at the time of Call For Projects application. In this instance, the developer must submit, along with the tenant rent roll, a written statement detailing why it was not feasible to serve the GINs. However in all cases, GINs must be served prior to receipt of the loan commitment, and evidence of such notices must be received by HCIDLA within 30 days of service to the tenant/s. If the project fails to secure a funding commitment, either through the Call For Projects or the chosen leveraging source(s), all GINs must be rescinded.

### **2.3 Meeting Cost Parameters**

The affordable housing development must not propose Total Eligible Basis in excess of 30% of the Total Adjusted Threshold Basis Limit, pursuant to CTCAC regulations, and must not propose a per unit Residential Cost that exceeds \$500,000. Residential Costs are those costs required to build the Residential Component of the development, including Land Costs/Acquisition, Reserves, and Permanent Financing Costs. Applications not meeting this criteria will be automatically rejected and will not be considered for further review during the current Call for Projects.

The California Housing Finance Agency (“CalHFA”) along with the California Department of Housing and Community Development (“HCD”), the California Tax Credit Allocation Committee (“CTCAC”), and the California Debt Limit Allocation Committee (“CDLAC”) are undertaking a large scale, affordable housing development cost study within California. Upon completion of this study the HCIDLA may adjust its cost parameters based on the results of the study to reflect consistency.

### **2.4 Maximum Proposed HCIDLA Contribution**

The affordable housing development must not propose City-administered permanent financing in excess of those outlined in the tables below. Applications not meeting this criteria will be automatically rejected and will not be considered for further review during the current Call for Projects. Maximum subsidy may only be calculated for those units to be restricted at or below 60% of Area Median Income (AMI) for the Los Angeles – Long Beach CA FMR Area. The maximum HCIDLA loan available to any one project is \$14 million. In aggregate, the total outstanding loan amount to any one applicant, developer or general partner, may not exceed 5% of its HCIDLA's loan portfolio balance.

Unit Size	Maximum HCIDLA Subsidy	
	Senior or Large-Family Projects, or Projects with other Public or Private Leverage Sources	Special Needs/SRO or Permanent Supportive Housing, MHP, or Other Sources of Homeless Funding
0 bedroom	\$83,660	\$100,000
1 bedroom	\$92,360	\$107,500
2 bedroom	\$97,360	\$115,000
3 bedroom	\$102,360	\$115,000
4+ bedroom	\$107,360	\$115,000

*Note: Special Needs subsidy is applied on a per-unit basis, not a per-bed basis.*

In no case shall the HCIDLA maximum subsidy will exceed **the most recent maximum per-unit subsidy limits under the HOME Program published by HUD. as outlined in the table below:**

**~~HUD's HOME PROGRAM MAXIMUM SUBSIDY LIMITS~~**

<del>Bedrooms</del>	<del>HOME Maximum Per Unit Subsidy</del>
<del>0</del>	<del>\$132,814</del>
<del>1</del>	<del>\$152,251</del>
<del>2</del>	<del>\$185,136</del>
<del>3</del>	<del>\$239,506</del>
<del>4+</del>	<del>\$262,903</del>

~~In cases where HCIDLA will re-structure an AHTF Pipeline project in accordance with Section 9.3 of the AHTF Regulations, the above HUD maximum per unit subsidy limits under the HOME Program shall be used as the HCIDLA maximum subsidy regardless of the leveraging source or housing type. From time to time, HUD may adjust these limits and the HCIDLA limits will be adjusted accordingly.~~

**2.5 Applicant's/Borrower's Certification Statement Form**

The applicant/developer shall complete and submit a signed Applicant's/Borrower's Certification Statement Form with the Call For Projects Application (Attachment\_2.5).

For 9% LIHTC projects, the applicant/developer must self-certify (Attachment\_2.5) that the affordable housing development can score the maximum points in the most recently released CTCAC application within the 24 months following the Call for Projects application deadline. This includes, but is not limited to, the "Readiness" section of the CTCAC application. HCIDLA is concerned that projects needing a zone change through a General Plan amendment, or similar entitlement work, will not be likely to meet this criteria. Applications not meeting this criteria will be automatically rejected and will not



be considered for further review during the current Call for Projects. For projects proposing to use 4% LIHTC and Tax-Exempt Bonds, please refer to Section 2.18 below.

Applicants proposing to garner 5 points under the Community Benefit Integration selection criterion (see Section 5.3.1) must indicate in this form that it will commit to integrate a community facility within the above-referenced project, where at least 5% of the total square footage of the building will be used for non-residential use.

Applicants proposing to garner 5 points under the Special Needs Populations selection criterion (see Section 5.3.3) must indicate in this form that it will commit to provide at least 10% of the units for Special Needs populations, and restrict those units to families and/or individuals earning at or below 40% of the AMI.

## **2.6 Maximum Projects Per Developer**

In order to (1) expand and maintain developer capacity, (2) maximize product and developer diversity and (3) minimize developer concentration risk, the AHTF Pipeline will cap the number of developments one entity can participate in, at any percent of ownership interest or in any contractual form, at any one time. HCIDLA 9% LIHTC projects with non-City administered funds, or projects that are financed through the Tax Exempt Bonds/4% LIHTC, are not subject to this maximum projects cap.

The maximum number of developments one entity, or its subsidiary (ies) can participate at any one time is six (6); of which a maximum of three (3) can be in pre-construction and a maximum of four (4) can be in construction and/or processing Final Close-Out. Participation is defined as (1) any percentage ownership in a current or future limited partnership, LLC or their equivalent, or (2) receipt of more than 10% of the total developer fee in a current or future limited partnership, LLC or their equivalent where the party does not have an ownership interest. Participation starts at initial application and ends at Final Close Out. Final Close Out is defined as of when all retention to the contractor (from City funds and/or other funds) is released. Applications not meeting this criteria will be automatically rejected and will not be considered for further review during the current Call for Projects. Applications can be re-submitted in a future Call for Projects.

For a project to be considered as having completed its Final Close-Out process, and consequently, be exempted from the maximum projects cap as stated above, it shall have completed all of the milestones listed below:

- Issuance of Final Certificate of Occupancy by the L.A. Department of Building and Safety;
- Issuance of a review and certification from a State-Certified Access Specialist Program consultant (CASp);
- HCIDLA's final release of retention.

### **2.6.1 Compliance with HCIDLA Asset Management, and Rent Stabilization Divisions Portfolio Management and Occupancy Units**

In consideration of the early timing of the application and project review, HCIDLA's Portfolio Management and Occupancy Monitoring units will apply the following threshold criteria:

**2.6.1.1 Portfolio Management**

For each proposed developer and/or sponsor, HCIDLA must not be owed more than \$10,000 in residual receipts or other fees from its entire portfolio.

**2.6.1.2 Occupancy Monitoring**

On projects with 10 or more restricted units, no more than 15% of the restricted units can be out of compliance. Applicants will be allowed to pass threshold if they demonstrate that they have corrected all other deficiencies, including issuing documentation of having corrected rents that were over-charged to tenants, and have met all affirmative marketing requirements set forth by HCIDLA. The compliance period includes up to 5 years of occupancy compliance history.

Applications not meeting this criteria will be automatically rejected and will not be considered for further review during the current Call For Projects.

**2.6.1.3 List of Properties**

Applicants shall submit with the Call For Projects application, a list all residential income properties when the following are true: 1) the properties are owned by the applicant, 2) the properties are owned by any of the applicants' partners, or 3) the properties are those in which any of the applicants' principals have a vested interest in them. If one of those properties has substandard or untenable units, the application will not be reviewed until the deficiencies are cured. If deficiencies are not resolved, the application will be denied for failure to meet threshold criteria.

**2.7 Letter of Support Acknowledgement**

All applicants/developers must submit a letter of support for commitment of City funds to the project from the Council Office(s) in which the project site(s) is/are located. (Attachment 2.7)

~~The application for the Call for Projects must include a Letter of Acknowledgement from the councilmember in whose district the affordable housing development will be located. Applications not meeting this criteria will be automatically rejected and will not be considered for further review during the current Call For Projects (Attachment 2.7).~~

~~A traditional Letter of Support will be required as a condition of "Project Readiness."~~

## 2.8 **Minimum Competitive Score**

Proposed affordable housing developments must score a minimum of fifty (50) Competitive Criteria points under the AHTF Regulations Scoring Criteria, in order to be considered into the AHTF Pipeline (Attachment\_2.17).

## 2.9 **Organizational Documentation and Self-Certification Statements**

Applications must identify ALL members of the Development Team, including a State-Certified Access Specialist Program consultant (CASp) and consultant's CASp license or certification number. For more information on CASp, see Section 7.4.1 of the AHTF Regulations.

The following documents must be submitted at the time of Call For Projects application:

1. An organizational chart of the proposed ownership structure;
- ~~2. List of properties owned by the applicant/developer/s and general partners;~~
2. List of Entities and Names of Partners;
3. HCIDLA Credit Check Authorization;
4. List of Board of Directors executed within 90 days of the application;
5. Applicant's/Borrower's Certification Statement;
6. Board Resolution or Evidence of Consent from Majority Partnership Interest.

For the purposes of the Call For Project Application submittal, the Board Resolution shall be executed within ninety (90) days of the application deadline. The Board Resolution, as a minimum, shall contain the following language:

- a. Authorization to participate in the Call For Projects;
- b. Authorization to enter into and execute any and all contractual obligations, including but not limited to the City of Los Angeles Land Use Regulatory Agreement, Loan Agreement, and other documentation, as may be required by the City of Los Angeles; and,
- c. Names and offices of the authorized signatories who may act on behalf of the corporation, based on the required categories below.

In addition, at the time of Project Readiness (sixty days prior to CTCAC deadline), and the AHTF Loan Closing, an updated Resolution will be required to include a loan amount.

## 2.10 **Environmental Review and Historic Preservation**

The following items must be submitted with the Call For Projects application:

- Dated color photographs of the entire project site and all properties surrounding the project site. If there are buildings on the site, all sides of the building(s) shall be included (Attachments\_2.10, 2.12.2, 2.12.3);
- A project description that includes information on whether the project area and environs contain any properties listed on the National Register of Historic Places, the State of California inventory of historic places, or local inventory

of historic places (Provide response under Question 6 of HCIDLA Narrative tab);

- Whether there are properties that appear to be historic within the boundaries or within a ½ mile radius of the project. (Provide response under Question 6 of HCIDLA Narrative tab).

## 2.11 **Minimum Feasibility**

All projects must demonstrate financial viability supported by a development budget with a 15-year cash flow proforma which shows positive cash flow. Projects must use the respective underwriting criteria required by the identified leveraging source in combination with HCIDLA guidelines detailed in Part 3 of these AHTF Regulations. **Proformas submitted must be submitted in Excel format (PDF copies will not be accepted).** ~~and accompanied by funding commitments from all construction and permanent financing sources identified except the leveraging source proposed. Letters of commitment must also be submitted for any proposed deferred funding source (Attachment 2.11, and/or 5.4.1, 5.4.2, 5.4.3).~~

## 2.12 **Reports**

### 2.12.1 **Appraisals**

All applicants ~~that will be requesting HCIDLA funds for acquisition reimbursement~~ must submit an **AS IS** appraisal prepared not more than six months prior to the date of the property's acquisition. If the property has not been purchased, applicants must submit an **AS IS** appraisal prepared not more than six months prior to the date of the purchase contract. The appraisal must be prepared by a California State Certified General Appraiser. In addition, the appraisal may not determine property value based solely on sales comparables of properties financed by public agencies. If a residential income approach is not utilized, applicants may submit either a separate market study completed within the **last six (6) months**, or the "CTCAC Rent Comparability Matrix".

If a land is donated or leased from a public agency, an "as-is" appraisal is required at the application deadline and shall be prepared within six (6) months of 1) the transfer of ownership or 2) the Call For Projects application deadline, whichever comes first.

### 2.12.2 **Phase I Environmental Assessment or Phase I with Required Phase II**

Phase I Environmental Assessments must follow the standards outlined in American Standards of Testing and Materials (ASTM) E 1527-05, to determine the potential presence of onsite and neighboring property contamination (including but not limited to lead-based paint, asbestos, and methane). The Environmental Assessment must have been completed within the **six months prior to the date of the application deadline**. If a project's Phase I Environmental Assessment indicates the need for further assessment, a Phase II report must be submitted. The applicant must include a cost estimate for any required remediation.

### **2.12.3 Lead/Asbestos**

All rehabilitation projects and new construction projects that involve demolition of existing structures in advance of the rehabilitation or new construction must submit an asbestos assessment and lead-based paint report completed within the twelve months prior to the date of the application deadline. For new construction projects where there is complete demolition of all existing structures, the applicant may submit a letter in lieu of a lead test report indicating that the presence of lead is assumed and the appropriate federal, state, and local lead hazard abatement protocols will be followed. For occupied sites, assessment must include minimally invasive sampling of readily accessible surfaces. Testing for asbestos shall be subject to AQMD standards. As it relates to lead-based paint, testing and compliance shall be consistent with those standards outlined in HUD's "Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing" (June 1995), including Chapter 7, Lead-Based Paint Inspection (1997 Revision), which are the industry standard. If the assessment determines that lead and/or asbestos is present, (except for new construction with complete demolition of the existing structure demolition as indicated above), a Lead and/or Asbestos Abatement Plan must be submitted. The applicant must include a cost estimate for any required abatement.

### **2.13 Assurances and Conditions Certification**

The authorized signatory(s) for each applicant organization must read the Assurances and Conditions outlined below and submit a completed Assurances and Conditions Certification form (Attachment\_2.13). By doing so, the applicant acknowledges understanding of and agreement with the following provisions that will be required at the time of contract negotiations:

**2.13.1 Affirmative Action:** The City's Administrative Code (Division 10, Chapter 1, Article 1, Section 10.8) establishes the Affirmative Action program for vendors doing business with the City. As a condition of contract award, grantees will be required to comply with the provisions of the City's Affirmative Action program, including submission of the City's Affirmative Action form with an Affirmative Action Plan.

**2.13.2 Insurance:** The chosen contractor(s) must provide evidence of minimum insurance coverage requirements.

**2.13.3 Service Contract Worker Retention Ordinance and the Living Wage Ordinance (SCWRO and LWO):** The chosen contractor(s) shall comply with all Los Angeles Administrative Code (LAAC) Sections 10.36 et seq., SCWRO and LWO. A Declaration of Compliance must be approved by the Department of Public Works, Office of Contract Compliance prior to contract execution.

**2.13.4 Equal Benefits Ordinance (EBO):** The chosen contractor(s) must be certified as complying with the Los Angeles Administrative Code Section 10.8.2.1, EBO, prior to the execution of any City Agreement. The EBO forms must be approved by the Department of Public Works, Office of Contract Compliance prior to contract execution.

**2.13.5 Certifications:** Applicant(s) shall provide copies of the following documents to the HCIDLA:

- A. Certification Regarding Ineligibility, Suspension, and Debarment as required by Executive Order 12549.
- B. Certification and Disclosure Regarding Lobbying. Contractor(s) shall also file a Disclosure Form at the end of each calendar quarter in which there occurs any event requiring disclosure or which materially affects the accuracy of the information contained in any Disclosure Form previously filed by the Contractor(s).

**2.13.6 Slavery Disclosure Ordinance:** Unless otherwise exempt, in accordance with the provisions of the Slavery Disclosure Ordinance, any contract awarded pursuant to this RFQ will be subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code.

**2.13.7 MBE/WBE/OBE Subcontractor /Supplier Information:** The Contractor shall submit the MBE/WBE/OBE Form and comply with the City’s Minority Business Enterprise (MBE), Women Business Enterprise (WBE), and Other Business Enterprise (OBE) outreach requirements as appropriate.

**2.14 Affordable Housing Entitlement Self-Certification Form**

The applicant/developer must demonstrate to HCIDLA's satisfaction that the project as proposed will be able to meet all zoning and land use requirements prior to the issuance of an HCIDLA funding commitment. These include, but are not limited to, general plan amendments, re-zonings and conditional use permits. HCIDLA will consult with the Los Angeles City Planning Department to verify whether the project as stated is appropriately zoned and in compliance with all zoning requirements and local land use ordinances. If a condition or requirement is pending, the project will be disqualified for failure to meet threshold criteria unless a public hearing is waived or scheduled prior to the issuance of an HCIDLA funding commitment. For the purposes of the Call For Projects application, a completed Affordable Housing Entitlement Self-Certification form is required (Attachment\_2.14). The Density Calculation section (Item 4A and B, on page 2 and 3 of the Affordable Housing Entitlement Self Certification Form) states that when calculating the Base Density (by-right per Zoning Code 12.22A25) for applicants to round down, and when calculating the Maximum Allowable Density Bonus Units and Restricted Affordable Units to round up. The Density Bonus and Restricted Affordable units are calculated from the Base Density number.

**2.15 Intentionally Left Blank Untenable and Substandard Units**

~~The “Applicant(s)/Borrower(s) Certification Statement” (Attachment\_2.5), requires that the applicant list all residential income properties when the following are true: 1) the properties are owned by the applicant, 2) the properties are owned by any of the applicants’ partners, or 3) the properties are those in which any of the applicants’ principals have a vested interest in them. If one of those properties has substandard or untenable units, the application will not be reviewed or eligible for funding until the~~

~~deficiencies are cured. If deficiencies are not resolved, the application will be denied for failure to meet threshold criteria.~~

**2.16 Conceptual Architectural Plans or Schematics**

At minimum, a Conceptual Design Submittal package is required with the application. For additional information regarding Architectural Design Review and submittal requirements, refer to Exhibit 01.

**2.17 Competitive Criteria Self-Score Form and Minimum Competitive Score**

A completed Self-Score Form for Competitive Criteria – Points System, is required at Call For Projects application deadline (Attachment\_2.17).

Proposed affordable housing developments must score a minimum of fifty (50) Competitive Criteria points under the AHTF Regulations Scoring Criteria, in order to be considered into the AHTF Pipeline (Attachment 2.17).

**2.18 Part VI F – Lowest Income of CTCAC Application – For 4% Tax Credit-Bond Projects and Projects with Private Funding Sources**

If an application is proposing a Tax Exempt Bond/4% LIHTC financing structure, or a non-City controlled commitment/s of private source/s, a completed “Part VI F – Lowest Income” of the CTCAC application is required and must demonstrate that the project is able to attain a minimum point score of forty (40) points under the Lowest Income Points Table in Section 10325(7) of the CTCAC Regulations. All Tax Exempt Bond/4% LIHTC applications and those with private funding sources that have a Lowest Income Point Score of less than 40 points shall not meet this minimum threshold requirement and shall be declined. (Attachment\_2.18)

**2.19 Single Application Requirement**

Only one application per project, containing one financing structure only, will be accepted by HCIDLA. For example, when an application on a project using a 9% Tax Credit structure is submitted concurrently with a separate application using a Tax Exempt Bonds/4% LIHTC structure on a same project, HCIDLA shall reject both applications and shall not consider the project for acceptance into the AHTF Pipeline.

**2.20 Relocation**

Permanent displacement of the project site’s residents is to be minimized. The cost of relocation will be considered in assessing the feasibility of the proposed development. If a new construction project entails relocation or permanent displacement, the project must net a minimum of 100% more units (i.e., double) than the amount proposed to be demolished.

If the proposed site was occupied during the six months prior to or during purchase negotiations, a relocation plan and assessment must be submitted. In addition, a copy of the relocation consultant’s agreement and the consultant’s resume/qualifications must be provided.



The relocation plan must be completed and carried out by a qualified relocation consultant. The relocation plan must include at a minimum:

- A reasonable cost estimate;
- Identification of the number of households or businesses to be displaced;
- A current rent roll at the time of this application;
- Addresses of the required relocation notices; and,
- A description of the proposed advisory services to be provided to the displaced households/businesses.

The relocation assessment must be completed by a qualified relocation consultant and must include a detailed cost estimate based on compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (**Uniform Act**) and other HUD requirements including **Section 104(d)** of the Housing and Community Development Act.

All projects will be required to adhere to the Uniform Acquisition and Relocation Act of 1970 (URA), Section 104(d) of the Housing and Community Development Act of 1974, amended, and/or the City of Los Angeles' Rent Stabilization Ordinance (RSO), whichever is applicable to each individual household and is most financially beneficial to the individual household. Please note that at minimum, the RSO relocation benefit amount must be provided to each qualifying household where the federally-prescribed relocation assistance amounts are less than the current RSO-prescribed amount; however, federal funds that are granted through these AHTF Regulations can only reimburse relocation costs that are supportable by URA and Section 104(d) Regulations.

A completed Relocation Tenant Rent Roll (Attachment\_ 2.20) must also be submitted for HCIDLA's review.

## **2.21 Transit Oriented Developments (TOD) - Alignment of TODs with the 5-Year Consolidated Plan**

~~Transit-Oriented Development (TOD) areas Transit-Corridors~~ are defined as 1/2-mile buffer from both heavy and light rail, both heavy and light rail, Bus Rapid Transit (BRT, Silver or Orange Line) lines, Rapid Bus Transit (RBT Rapid Bus Line) stops<sup>1</sup>, TOD area ~~A Transit Corridor~~ includes all areas within 1/2-mile of the transit stop, transit corridor; ~~and not exclusively areas 1/2-mile from rail station stops or bus station hubs.~~ Included in this definition are planned transit corridors otherwise meeting this definition, whose construction are programmed into a Regional or Metropolitan Transportation Improvement Program to be completed prior to the scheduled completion and occupancy of the supported affordable housing development, but in no case more than five (5) years from the application due date.

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<sup>1</sup> Please refer to the Metro website: <http://www.metro.net/riding/maps/> for definition, location of transit lines, maps, timetables.



If an affordable housing development being proposed is located within ½-mile of an existing or fully funded transit stop corridor, then the following documents need to be submitted at Call For Projects application deadline:

- TOD Labeled Map (Attachment 2.21.1);
- Scaled Distance Map and Parcel Map (Attachment 2.21.2);
- Heavy and Light Rail Train, BRT, RBT schedules (Attachment 2.21.3).
- ~~Orange Line Bus/Train/Subway schedules (Attachment 2.21.3)~~

In addition, applicants shall indicate in the Call For Projects On-line application, under the “Project Info” tab, that the project is a “TOD”, by selecting the “TOD” in the drop-down menu. Conversely, if a project is more than 1/2-mile from a TOD Stop Transit Corridor, then the applicant shall select “Non-TOD” and shall not be required to submit TOD documents mentioned above.

### **2.22 Minimum CTCAC Final Tie-Break Scores for 9% CTCAC Set-Aside Applications**

To ensure maximum CTCAC competitiveness, any application proposing a 9% LIHTC Financing Structure that will compete for a tax credit allocation under the CTCAC’s Nonprofit Set-Aside, or Special Needs Set-Aside, or “At-Risk” Set-Aside, shall use an amount of AHTF subsidy, in combination with other leveraging sources, that is necessary to achieve a tie-break score that is higher than the lowest winning Final Tie-Break Score of the respective Set-Aside from the last CTCAC funding round.

### **2.23 Soils Report**

All new construction projects must submit a soils report completed within the past twenty-four (24) months of the Call For Projects application deadline, for the purposes of evaluating the geo-technical engineering characteristics of the on-site subsurface soils relative to the anticipated development. The report shall include the description of the field exploration and laboratory tests performed; evaluation of soil liquefaction potential; conclusions and recommendations relating to construction of the proposed residential development based upon the analyses of data from exploration and testing programs; and, knowledge of the general and site-specific characteristics of the subsurface soils. Reports for sites occupied by structures must include subsurface investigations that are conducted in compliance with, and subject to, City of Los Angeles Department of Building and Safety standards (Attachment 2.23).

### **2.24 Self-certification for Compliance to Access Standards**

All applicants/developers shall complete and submit a signed Access Compliance Certification Form with the Call For Projects Application (Attachment 2.24), certifying that the project shall be designed, constructed, and thereafter maintained in compliance with all applicable federal, State, and local accessibility standards.

**SECTION 3**  
**UNDERWRITING, COST AND PRICING GUIDELINES**

**3.1 Replacement Reserve**

A minimum replacement reserve of \$300 dollars per unit, per year shall be set for all unit types, except senior units, which will be set at \$250 per unit, per year. However, if CTCAC, MHP or HUD should adopt AHTF Regulations that differ, the HCIDLA shall re-underwrite the project prior to the closing of the loan, in order to be consistent with the identified primary leveraging source.

**3.2 Operating Reserve**

The operating reserve shall be established and capitalized up front with an amount equal to three (3) months of operating expenses and hard debt service. This amount must appear in the proforma development budget at the time of submission of the application and at loan closing. The actual operating reserve account must be established and fully funded within 120 days of completion of construction. However, if CTCAC, MHP or HUD should adopt AHTF Regulations that differ, HCIDLA will have the authority to re-underwrite the project prior to the closing of the loan, in order to be consistent with the identified primary leveraging source

**3.3 Supportive Services Coordination Reserve Fund and Supportive Services Case Management Funding**

Case management must include outreach and engagement with tenants. The following Case Manager-to-tenant ratios will be used by HCIDLA in evaluating project proposals:

- One Full Time Equivalent (FTE) Case Manager to no more than 15 units of chronically homeless;
- One Full Time Equivalent (FTE) Case Manager to no more than 25 units for homeless Transition-Aged-Youths;
- One Full Time Equivalent (FTE) Case Manager to no more than 30 units of homeless with special needs;
- One Full Time Equivalent (FTE) Case Manager to no more than 45 units of low income senior or other tenant populations.

To calculate the required ratio, the quotient shall be rounded up.

Applicant/developer will be permitted to establish a Reserve Fund for Supportive Services Coordination. To the extent that there are funds available after the 1) payment of all Operating Expenses, 2) funding the Replacement Reserve Fund, funds may be deposited into this account for the purposes of providing supportive services coordination for the project's tenant population. Deposits to this fund shall be in amounts of no more than the following:

- Up to \$4,000 per unit per year for the chronically homeless,
- Up to \$2,250 per unit per year for homeless with special needs,
- Up to \$100 per unit per year for low income senior and other tenant populations.

Requests for disbursement must be submitted in writing to HCIDLA Asset Management Division, Attention: Division Director, and will be subject to HCIDLA approval. Funds may be drawn to pay only for providing supportive services coordination for the project's tenant population. Funds from this account shall not be used to pay for other supportive services. For projects serving the homeless, disbursements will be contingent upon adherence to a Supportive Services Plan that is in conformance with the Plan Requirements outlined in the HACLA PBV Call for Projects or from a government agency issuing the rental or operating subsidy, if available. Disbursements from the Supportive Services Coordination Reserve Account shall also be in accordance with Section 7.15 of the AHTF Regulations.

Inflation for the annual service coordination fee (on the \$100, \$2,250, or \$4,000 per unit, per year base) may be indexed according to the Consumer Price Index-All Urban Consumers for the Los Angeles/Riverside/Orange County areas (CPI). The calculation will be based on the change in the CPI over the previous calendar year, expressed and rounded to the nearest whole number.

### **3.4 Debt Coverage Ratio**

The Debt Coverage Ratio for the first year shall not be less than 1.15:1 or greater than 1.20:1, except where the applicable leveraging source regulations state otherwise. A ratio of at least 1.15:1 is required for the full 15-year projection period.

### **3.5 Maximization of Developer Fee**

The maximum developer fee allowed by the identified leveraging source may be included in project costs. The maximum capitalized developer fee that may be eligible for payment from construction or permanent financing sources shall be one million, four hundred thousand dollars (\$1,400,000), with any unpaid developer fee balance to be paid from annual, excess cash available following the payment of all project operating costs, debt service, reserve deposits and administrative fees. However, no developer fee may be disbursed from any source without the approval of HCIDLA.

The recapture of the deferred developer's fee will be 15 years. Interest on deferred fees should be payable from the developer's share of residual receipts.

### **3.6 Consulting Fees**

Consulting fees must not exceed \$100,000 and should be dependent upon the size and complexity of the project. Specific consulting services include: preparation of tax credit applications; preparation of HCIDLA applications and other public agency applications; preparation of applications for conventional financing, as well as provision of general development services such as the selection and coordination of the development team; loan documentation; and, processing local approvals and entitlements. Fees required for construction management are not included in this category.

If the developer performs development services for the project which could be contracted to a consultant (e.g., preparation of a Tax Credit application, obtaining entitlements), the developer is entitled to assign the consulting fees to its own organization. Applicants may not make side agreements with consultants which increase the consulting fees beyond the

amount shown on the consulting line item. All consultant contracts and fees charged by the developer (in excess of the development fee) to provide services to the project shall be reviewed and approved by HCIDLA for cost reasonableness.

### **3.7 Cost and Pricing Guidelines**

#### **3.7.1 Purchase Price**

The maximum allowable purchase price is the lower of either the purchase price of the property or the as-is appraised value as evidenced by an appraisal prepared by a California State Certified General Appraiser prepared not more than six months prior to the date of HCIDLA loan funding. The appraisal may not determine property value based solely on sale of comparables financed by public agencies. Additionally, if the subject site is being sold by an entity related to the newly proposed ownership entity, any mark-up on the land costs must be clearly stated and will be subject to HCIDLA approval.

#### **3.7.2 Tax Credit Pricing**

A letter of interest is not required at Call For Projects Application deadline. However, for underwriting purposes, HCIDLA will not approve a loan based on assumptions that are unreasonable or inconsistent with industry standards. In lieu of updated tax credit pricing guidelines from CTCAC, applicants should assume the tax credit pricing from the investor's Letter of Interest. However, HCIDLA will not approve a loan based on assumptions that are unreasonable or inconsistent with industry standards.

#### **3.7.3 Cost Controls**

All contracts, including but not limited to Owner/Architect, Owner/Consultants and Owner/General Contractor must be approved by HCIDLA.

Developers are required to submit a completed HCIDLA Proforma (Attachment\_2.11) in Excel format; PDF copies will not be accepted. Project costs should take into consideration anticipated increases in construction labor and materials costs throughout the projected construction period. Construction estimates will be reviewed at the time of determination for Project Readiness and any estimates considered to be excessively high or low may result in the rejection removal of the project from the AHTF Pipeline list. Applicants should not expect HCIDLA to fill any additional financing gaps that occur as a result of rising prices.

#### **3.7.4 Competitive Bid – General Contractors and Subcontractors**

If at the time of application, the general contractor was not identified as part of the development team, the construction contract shall be awarded through a competitive bid process. The developer shall utilize a Request For Qualifications (RFQ) process (soliciting a minimum of three proposals). Awards should be made to the responsible firm whose proposal is most advantageous to the project with price and other factors considered. Criteria for selection should include, but not be limited to: the success of previous

projects; experience and track record for completing projects on time and on budget; amount of overhead and profit; ability and/or capacity to complete the job within the time frame required; contractor integrity; and, the breadth of financial and technical resources to support the project. The general contractor, construction contract, and any change orders issued thereunder, will be subject to the HCIDLA's approval. If at the time of application, a general contractor has been selected and is identified as a member of the development team, the developer/general contractor must provide a minimum of three (3) bids for each major trade including but not limited to site work, concrete, carpentry, drywall, plaster, mechanical, electrical and plumbing.

### **3.7.5 Disallowed Costs**

HCIDLA reserves the right to disallow any costs which it believes to be excessive, avoidable, unwarranted or disallowed pursuant to any and all funding guidelines. Additionally, HCIDLA will not approve a loan based on costs that are unreasonable or inconsistent with industry standards.

### **3.7.6 Wage Compliance**

Assuming HOME funds will be used as a funding source, all projects will be required to pay wages to laborers and mechanics at the Davis-Bacon wage rates, at minimum. However, any project funded in whole or in part with Community Redevelopment Agency (CRA/LA) or other State funds are subject to State Prevailing Wage Requirements.

All projects located within the City of Los Angeles, including tax-exempt bond-financed projects, must pay wages to laborers and mechanics at either the Davis-Bacon wage rates or State of California prevailing wages, whichever are higher for each job classification.

For both Davis-Bacon and State Prevailing Wage projects, the final wage decision to be employed will depend upon the height (number of stories) of the project. **Applicant/developer shall be responsible for complying with the applicable wage scale as determined by the City.**

#### **3.7.6.1 Davis-Bacon Wage Requirements**

The U.S. Department of Labor (DOL) issues Davis-Bacon Work Determinations reflecting prevailing wages and benefits paid by the construction industry within specific localities. The Work Determinations are further classified by the nature of the construction projects performed, specifically listed as "schedules": residential, building, highway, and heavy construction. A brief outline of the definitions for each schedule is listed below. Further details and examples may be found in DOL's "All Agency Memorandum Nos. 130 and 131" issued in 1978 (reference the WDOL Library Page). For more information, please refer to DOL's website containing Federal Davis-Bacon Wage Determinations at <http://www.wdol.gov/archdba.aspx>.

- **Building Construction:** Includes construction of sheltered enclosures with walk-in access for the purpose of housing persons, machinery, equipment or supplies; all construction of such structures; the installation of utilities and of equipment, both above and below grade levels; as well as incidental grading, utilities and paving. Such structures need not be "habitable" to be building construction. Also, the installation of heavy machinery and/or equipment does not generally change the project's character as a building.
- **Residential Construction:** Includes the construction, alteration or repair of single-family houses, apartment buildings of no more than four stories in height. This includes all incidental items such as site work, parking areas, utilities, streets, and sidewalks.

Projects utilizing HCIDLA funds will be subject to the payment of wages to laborers and mechanics at a rate not less than the minimum prevailing wage rate specified by the Secretary of Labor, in periodic wage determinations (Davis-Bacon Wages), in conformity with either HOME, CDBG, NSP or other applicable Federal funding regulations.

### **3.7.6.2 State Prevailing Wage Requirements**

Any project funded in whole or in part with Community Redevelopment Agency (CRA/LA) or other State funds is subject to State Prevailing Wage Requirements.

Pursuant to the California Code of regulations Section 16001(d), residential projects consist of single-family homes and apartments up to and including four stories. The residential determination applies only to the residential portion of the project meeting this definition. Construction of any structures or ancillary facilities on the project that does not meet this definition requires the payment of the general commercial prevailing wage rates.

According to the definitions contained in Title 8, Section 1504 of the California Code of regulations, the following is the definition of a building story:

“That portion of a building included between the upper surface of any floor and the upper surface of the floor next above, except that the topmost story shall be that portion of a building included between the upper surface of the topmost floor and the ceiling or roof above. If the finished floor level directly above a basement, cellar or unused underfloor space is more than 6 feet above grade as defined herein for

more than 50 percent of the total perimeter or is more than 12 feet above grade as defined herein at any point, such basement, cellar or unused underfloor space shall be considered as a story.”

Information regarding California’s State Prevailing Wage Determinations are as follows:

CA State Wage Determinations:

[http://www.dir.ca.gov/dlsr/statistics\\_research.html](http://www.dir.ca.gov/dlsr/statistics_research.html)

Archived CA State Determinations:

<http://www.dir.ca.gov/dlsr/DPreWageDetermination.htm>

### **3.7.7 Contractor Accountability**

#### **3.7.7.1 Cost of the Work plus a Fee with a Guaranteed Maximum Price Contract (GMAX)**

General Contractors will be required to use a Guaranteed Maximum Price Contract (GMAX) wherein the basis for payment is the cost of the work plus a fee. The construction contract shall include an overall cost limitation of fourteen percent (14%) of the cost of construction which shall apply to builder overhead, profit, and general requirements, excluding builder's general liability insurance. For purposes of calculating builder overhead and profit, the cost of construction includes offsite improvements, demolition and site work, structures, prevailing wage, and general requirements. For purposes of calculating general requirements, the cost of construction includes offsite improvements, demolition and site work, structures, and prevailing wage. All construction contracts shall clearly state that the sharing of cost savings which are above and beyond the maximum fourteen percent (14%) of the cost of construction for builders overhead, profit and general requirements are not allowed under said contracts.

#### **3.7.7.2 Construction Contract Audit**

Borrowers shall submit for HCIDLA’s approval, a completed audit of construction costs by an independent Certified Public Accountant within sixty (60) calendar days after the issuance of the project’s Final Certificate of Occupancy. The audit shall include the accountant’s opinion on calculation of profit, overhead, and general conditions as a percentage of the total contract amount.

### **3.7.7.3 Enforcement Language**

The City loan documents will enforce the 14% cap on profit, overhead and general conditions that includes penalties, fees, and possible debarment of the borrower, contractor and/or their principals.

### **3.7.7.4 LCP Tracker**

Contractors will be required to report to HCIDLA's Prevailing Wage Compliance Unit using the LCP Tracker labor compliance software, used by many public agencies to capture, monitor, and report prevailing wage compliance in projects financed with public funds. An amount equal to 0.03% of the construction contract must be paid in full by the applicant/developer within 30 days of execution of the HCIDLA loan.

### **3.7.7.5 Cost Certification**

Cost certification is required of all owners and all general contractors. Implementing the cost certification process for general contractors will create greater transparency and accountability of the resources available to the affordable housing development community.

*Direct Construction Cost Summary* (incorporated into Attachment 2.11): A construction cost breakdown must be prepared using the standard Construction Specification Institute (CSI) Division format for building components. Prices for labor must take into consideration the applicable wages (e.g., Davis-Bacon or other). Where there is an identity of interest relationship between the general contractor and/or the owner and a subcontractor as defined in Section 7.14, HCIDLA will require a cost certification of the subcontractor. Any overhead, profit and general requirement fees paid to that subcontractor will be added to the general contractor's overhead, profit and general requirements and limited to the percentages allowable in these AHTF Regulations. In these instances, the general contractor must provide to a third party Accountant:

- Copy of construction contract and any change orders;
- Listing of all subcontractors utilized on the job, with amounts paid and to be paid;
- Listing of all "other costs/fees" paid and/or incurred for the project by the contractor.

The Accountant shall select at least five other subcontractors at random or by a sampling method, and verify the amounts paid to each subcontractor by reviewing check copies, contract documents, change orders, and other supporting information to verify amounts included within the cost certification for each subcontractor selected.

Coverage should be at least 40% of total cost incurred on the construction contract. If not, the Accountant shall select additional subcontractors and perform procedures above until the 40% requirement is exceeded.



The Accountant shall perform a comparison of actual costs to the amount budgeted at time of application and obtain explanations for significant variances.

The Contractor's Cost Certification forms must be accompanied by the unqualified opinion of the Accountant.

### **3.7.8 Utility Allowance**

Newly constructed projects in the design phase (brand new, never previously used buildings) must use the California Energy Commission (CEC) California Utility Allowance Calculator (CUAC). HCIDLA requires that the signing consultant be qualified by the California Association of Building Energy Consultants' (CABEC) Certified Energy Plans Examiner (CEPE) program, and must be a certified Home Energy Rating System (HERS) Rater or a California licensed mechanical engineer or electrical engineer.

Rehabilitation projects or projects with Project Based Section 8 Vouchers from HACLA must use HACLA's utility allowance.

If a new construction development is not entirely a permanent supportive housing project, but it has some units supported by Section 8 Project Based Vouchers (PBVs) from HACLA, then the project shall use HACLA Utility Allowances for those units with Section 8 PBVs. All other units shall use California Utility Allowance Calculator (CUAC) for utility allowances.

## SECTION 4 APPLICATION PROCESS AND REQUIREMENTS

The following general rules will apply to all applications submitted under the Affordable Housing Trust Fund Call For Projects:

### **4.1 General Rules:**

- 4.1.1 Only one application per project, containing one financing structure only, will be accepted by HCIDLA. Multiple applications for the same project are not allowed (e.g. an application using a 9% LIHTC structure that is submitted concurrently with a separate application using a Tax Exempt Bond/4% LIHTC structure, on a same project, will be declined).
- 4.1.2 These AHTF Regulations is open for rental housing projects which *intend to apply* to CTCAC, the State, CDLAC, or locally (e.g. County of Los Angeles Community Development Commission, etc.) within the next 24 months.
- 4.1.3 All applications must be received by the required date for each established round of Call For Projects. Applicants are encouraged to submit their projects as early as possible.
- 4.1.4 Incomplete applications will not be considered for funding. It is the responsibility of the applicant to ensure completeness of their submittal.
- 4.1.5 Staff will begin reviewing and underwriting proposals as soon as they are received.
- 4.1.6 Applicants will be subject to a background check to ensure compliance with HCIDLA Business Policy.
- 4.1.7 All information and support documents relevant to the proposed project must be submitted with the application. The completion of all applicable sections of the HCIDLA-supplied application is required.

### **4.2 Application Scoring**

This is a competitive process, and project applications will be scored and ranked according to the scoring system in Section 5 below.

### **4.3 Application Submittal and Review**

Call for Projects applicants must use the online application and forms provided or approved by HCIDLA. Application forms must not be modified. Applications must be submitted on time. Late and/or incomplete applications will not be accepted.

Applications received after the deadline will not be accepted. Applications submitted through hard copies, facsimiles or email will not be accepted.

#### **4.4 Appeal Process**

##### **(a) Availability**

Unsuccessful applicants may file an appeal of a HCIDLA Staff evaluation limited to:

- (1) Disqualification of application pursuant to Section 2 – Threshold Requirements;
- (2) Verification or determination of the application point score pursuant to Section 5 Selection Criteria;

##### **(b) Timing**

The appeal must be submitted in writing to the HCIDLA, Housing Development Bureau, to the attention of the Assistant General Manager (AGM). The appeal shall identify specifically, based upon previously submitted application materials, the applicant's grounds for the appeal. Consequently, the appeal review shall be based upon the existing documentation submitted by the applicant when the application was filed. The HCIDLA AGM will respond in writing to the appeal letter within five (5) working days after receipt of the appeal letter.

#### **4.5 City Council and Mayoral Approval Process**

Final score and ranking recommendations will be reviewed by the Mayor's Office, City Administrative Officer, the Chief Legislative Analyst, the Housing, Community, and Economic Development Committee of the City Council, and the full City Council. Once the recommendations are adopted by the City Council, the Mayor's Office will give its final concurrence.

#### **4.6 Release of Funds**

Due to the contingent nature of commitments made by HCIDLA through the AHTF, loan agreements will not be executed until all funding is in place or reasonably expected. However, in no event will HCIDLA be required to execute a loan agreement if after the specified funding cycles have elapsed, a funding gap exists for any reason, including cost increases, the withdrawal or reduction of a previous commitment, or deferred costs or fees.

## SECTION 5 SELECTION CRITERIA

Each application will be evaluated and scored according to the following criteria and additional project selection considerations:

### 5.1 Financial Efficiency (Maximum ~~60~~ **55** points)

#### 5.1.1 **Donated Land** (Maximum ~~20~~ **15** points)

Affordable housing developments located within land donated, or leased at no cost to the project by either a private or public entity will receive ~~20~~ **15** points.

In addition, HCIDLA shall accept the property's "Below Market Value of Ground Lease" (BMV), and shall award points on a pro-rata basis using the ratio of BMV to the appraised value. The "Below Market Value" as used in this section is defined as the difference between the appraised value of the property minus the actual lease amount. Points awarded from this section are calculated by using this difference, dividing it by the appraised value, and then multiplying the resulting quotient by ~~20~~ **15** points. The final calculated point score shall be rounded down to the nearest whole number. For example, a property with a BMV of \$2,134,000 and an appraised value of \$4,000,000 shall be awarded ~~10~~ **8** points (i.e. \$2,134,000 divided by \$4,000,000 is 53.3%, and then multiplied by ~~20~~ **15**, equals ~~10.670~~ **8.0025**, and rounded down to the nearest whole number is ~~10~~ **8** points).

If a land is donated or leased from a public, the value of the donated/leased land must be supported by an "as-is" appraisal, consistent with the guidelines in Section 2.12.1. (Attachment\_2.12.1)

#### 5.1.2 **Ratio of Projected HCIDLA Resources to TDC** (Maximum ~~20~~ **40** points)

Applications will be reviewed for the projected amounts of non-City administered financial resources to be leveraged. The Projected Leverage Ratio will be calculated by taking all non-City administered financial resources (i.e. all financial resources excluding City-administered Public Funds and projected tax credit equity from either the 9% LIHTC or the 4% LIHTC) and dividing that amount by the projected TDC. Private debt, whether or not it is supported by PBVs or other subsidy (i.e. Tranche B loans), will be considered non-City administered financial resources. The result will then be multiplied by 100 to produce a percentage. Points will be awarded at the rate of one point for each full percentage point that the Projected Leverage Ratio is above 10%, up to a maximum of ~~20~~ **40**-points.

For example, for a Projected Leverage Ratio of 13.66%, the project will be awarded one point for each full percentage above 10%, or 3 points.

With the exception of deferred fees or Below Market Value of Ground Lease, the HCIDLA will only accept a proposed non-City administered financial resource from a funding source with finalized published guidelines.

~~Pertaining to projects that are admitted to the AHTF Pipeline beginning 2015, if the applicant/developer fails to apply to the next available funding round of its proposed non-City controlled leveraging source, the project shall be subject to exclusion from the AHTF Pipeline, in accordance with Section 8.12 of the AHTF Regulations as stated below.~~

Applicants proposing to garner points under this section must submit a copy/ies of Leveraging Source Application/s as required under Section 2.1 above.

### **5.1.3 Committed Funding Sources (Maximum 20 points)**

Points will be awarded for submittals within the application documenting enforceable commitments for permanent financing from non-City resources, for a maximum of 20 points. For purposes of scoring, committed funding sources include federal, state, or local government funds, CRA/LA funds, including the outstanding principal balances of prior existing public debt or subsidized debt that has been or will be assumed in the course of an acquisition/rehabilitation transaction, excluding AHTF Funds. Outstanding principal balances shall not include any accrued interest on assumed loans even where the original interest has been or is being recast as principal under a new loan agreement. Points shall only be awarded for assumed principal balances only upon documented approval of the loan assumption or other required procedure by the public agency holding the promissory note. In addition, point will be awarded for funds that are already committed under the Affordable Housing Program of Federal Home Loan Bank.

To receive points under this subsection for loans, those loans must be “soft” loans, having terms (or remaining terms) of at least 15 years, and below market interest rates and interest accruals, and are either fully deferred or require only residual receipts payments for at least the first fifteen years of their terms. Qualified soft loans may have annual fees that reasonably defray compliance monitoring and asset management costs associated with the project. The maximum below-market interest rate allowed for scoring purposes shall be four percent (4%) simple, or the Applicable Federal Rate if compounding. RHS Section 514 or 515 financing shall be considered soft debt for scoring purposes in spite of a debt service requirement.

Committed Private “tranche B” loans underwritten based upon rent differentials attributable to rent subsidies shall also be considered committed funds for purposes of this subsection. The amount of private loan counted for scoring purposes would be the lesser of the private lender commitment amount, or an amount based upon underwriting standards. Standards shall include a 15-year loan term; an interest rate established annually by CTCAC based upon a spread over 10-year Treasury Bill rates; a 1.15 to 1 debt service coverage ratio; and a five percent (5%) vacancy rate. In addition, the rental income differential for subsidized units shall be established by subtracting tax credit rental income at 50 percent (50%) AMI levels (40% AMI for Special Needs/SRO projects or for

Special Needs units within a mixed-population project) from the anticipated contract rent income documented by the subsidy source.

Deferred developer fees or loans from a related company or development team shall not be counted.

Points will be awarded by calculating the ratio of Enforceable Commitments to projected TDC according to the following scale:

Ratio of Committed Funds to TDC is 4.99% or Less = 0 Points

Ratio of Committed Funds to TDC is 5.00% or more = 20 Points

Affordable housing developments with existing enforceable commitments for permanent financing will be prioritized based on the proximity of the expiration of their commitments.

## **5.2 General Partner, Management Company, and Borrowing Entity Characteristics**

**(Maximum 18 30 points)**

### **5.2.1 General Partner Experience (Attachment 5.2.1)**

(Maximum 4 15 Points)

To receive points under this subsection for projects in operation for over three years from the filing deadline date, the applicant must submit a certification from a third party certified public accountant (CPA) that the projects for which it is requesting points have maintained a positive operating cash flow, from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) for the year in which each development's last financial statement has been prepared (which must be effective no more than one year prior to the application deadline) and have funded reserves in accordance with the partnership agreement and any applicable loan documents. This certification must list the specific projects for which the points are being requested. The CPA certification may be in the form of an agreed upon procedure report that includes funded reserves as of report date, which shall be within sixty (60) days of the application deadline. To obtain points for projects previously owned by the proposed general partner, a similar certification must be submitted with respect to the last full year of ownership by the proposed general partner, along with verification of the number of years that the project was owned by that general partner. The certification must list specific projects for which the points are being requested.

To obtain points for projects previously owned, the ending date of ownership or participation must be no more than ten (10) years from the application deadline. This certification must list the specific projects for which the points are being requested. The certification of the third party certified public accountant may be in the form of an agreed upon procedure report that includes funded reserves as of the report date, which shall be dated within 60 days of the application deadline. Where

there is more than 1 general partner, experience points may not be aggregated; rather, points will be awarded based on the highest points for which 1 general partner is eligible.

3-4 ~~6~~ projects in service more than 3 years, of which 1 project shall be in service more than 5 years and 2 projects shall be California Low Income Housing Tax Credit projects = 2 ~~10~~ points

5 ~~7~~ or more projects in service more than 3 years, of which 1 project shall be in service more than 5 years and 2 projects shall be California Low Income Housing Tax Credit projects = 4 ~~15~~ points.

For special needs housing type projects only, applying through the Nonprofit set-aside or Special Needs set-aside only, points are available as described above or as follows:

~~For projects applying as a Nonprofit set-aside or Special Needs set-aside only, points are available for special needs housing type projects only as follows:~~

3 Special Needs projects in service more than 3 years, and one California Low Income Housing Tax Credit project which may or may not be one of the 3 special needs projects = 2 ~~10~~ points

4 or more Special Needs projects in service more than 3 years, and one California Low Income Housing Tax Credit project which may or may not be one of the 3 special needs projects = 4 ~~15~~ points

### **5.2.2 Management Company Experience (Attachment 5.2.2)**

(Maximum 4 ~~10~~ Points)

Management Company Experience - To receive points under this subsection, the property management company must meet the following conditions. To obtain points for projects previously managed, the ending date of the property management role must be no more than 10 years from the application deadline. In addition, the property management experience with a project shall not pre-date the project's placed-in-service date.

6-10 projects managed over 3 years, of which 2 projects shall be California Low Income Housing Tax Credit projects = 2 ~~7~~ points

11 or more projects managed over 3 years, of which 2 projects shall be California Low Income Housing Tax Credit projects = 4 ~~10~~ points

For special needs housing type projects only, applying through the Nonprofit set-aside or Special Needs set-aside only, points are available as described above or as follows:

~~For projects applying as a Nonprofit set-aside or Special Needs set-aside only, points are available for special needs housing type projects only as follows:~~

~~2-3 Special Needs projects managed over 3 years and one California Low Income Housing Tax Credit project which may or may not be one of the special needs projects = 27 points~~

~~4 or more Special Needs projects managed over 3 years and one California Low Income Housing Tax Credit project which may or may not be one of the special needs projects = 410 points~~

Points in subsections 5.2.1 and 5.2.2 above will be awarded in the highest applicable category and are not cumulative. For points to be awarded in subsection 5.2.2, ~~a Letter of Interest from the property management company an enforceable management agreement executed by both parties~~ for the subject application must be submitted at the time of application. “Projects” as used in subsections 5.2.1 and 5.2.2 means multifamily rental affordable developments of over 10 units that are subject to a recorded regulatory agreement. General Partner and Management Company experience points may be given based on the experience of the principals involved, or on the experience of municipalities or other nonprofit entities that have experience but have formed single-asset entities for each project in which they have participated, notwithstanding that the entity itself would not otherwise be eligible for such points. For qualifying experience, “principal” is defined as an individual overseeing the day-to-day operations of affordable rental projects as senior management personnel of the General Partner or property management company.

### **5.2.3 Certified Community Housing Development Organization (CHDO)**

(Maximum ~~10~~ 5 Points)

To be awarded ~~10~~ 5 points under this criterion, the General Partner in the partnership and the developer, **BOTH**, must be certified as a CHDO by the HCIDLA prior to the application deadline. For joint ventures, all parties with the general partner and/or developer role must be CHDOs to qualify for 5 points. (Attachment 5.2.3). See Exhibit 06 for guidance on CHDO requirements.

To qualify as a CHDO, the 2013 Rule requires that a nonprofit has paid employees with housing experience appropriate to the role the nonprofit expects to play in projects (i.e. developer, sponsor, or owner) in order to receive a CHDO designation.

Requests for information on obtaining a CHDO certification from HCIDLA must be directed to:



Housing + Community Investment Department
Housing Development Bureau
Attention: Victor Cendana
1200 W. 7 <sup>th</sup> Street, 8th Floor
Los Angeles, CA 90017
Telephone: (213) 808-8583

**5.3 Other Policy Objectives (Maximum ~~22~~ **15** points)**

From time to time the City will promote other policy objectives in its selection criteria.

**5.3.1 Community Benefit Integration (Maximum ~~4~~ **5** points)**

Affordable housing developments proposing to integrate any of a broad assortment of community facilities, where at least 5% of the total building square footage will be used for non-residential use will receive ~~4~~ **5** points. Community facilities can include, but not be limited to, community meeting space, community office space; family resources center space, federal qualified healthcare clinic, viable commercial space, community gardens, child care space, or transit-oriented facilities (Attachments\_2.5, 2.16)

**5.3.2 Small-Difficult-To-Develop Areas (Maximum ~~4~~ **4** points)**

~~Affordable housing developments located within a Small-Difficult-to-Develop - Area (SDDA) and/or Qualified Census Tracts (QCT) as published by CTCAC or HUD, are eligible to receive 4 points. To receive points under this subsection, a Labeled Map showing the project is located within the SDDA or QCT shall be submitted with the application (Attachment\_5.3.2)~~

~~**High-Cost Areas** (Maximum ~~5~~ **5** points)~~

~~Affordable housing developments proposing to be developed in a census tract where the median income for a family of four of that census tract is at or above 100% of the Los Angeles Metropolitan Statistical Area (MSA) median income for a family of four will receive 5 points (Attachment\_5.3.2).~~

**5.3.3 Special Needs Populations (Maximum ~~10~~ **5** points)**

Developers committing to 1) provide at least 10% of the units for Special Needs populations, as defined in State HCD's MHP Supportive Housing Regulations and 2) restrict those units to families and/or individuals earning at or below 40% of the AMI, will receive ~~10~~ **5** points.

To be awarded ~~10~~ **5** points under this criterion, ~~applicants shall indicate, a social service plan that is appropriate to the target population, and an indication~~ in the Applicant/Borrower's Certification Statement, of committing to 10% units for Special Needs, are required at the Application Deadline (Attachments\_2.5 and 7.15).

Item (r) of Section 7301 of State HCD MHP Supportive Housing Regulations state that, "Special Needs Populations' means Disabled Households, agricultural workers, single-parent households, survivors of physical abuse, homeless persons or persons at risk of becoming homeless, chronically ill persons including those with HIV and mental illness, displaced teenage parents (or expectant teenage parents), homeless youth as defined in Government Code section 11139.5, individuals exiting from institutional settings, chronic substance abusers, or other specific groups with unique housing needs as determined by the Department. 'Special Needs Populations' do not include seniors or the frail elderly unless they otherwise qualify as a Special Needs Population."

**5.4 Intentionally left blank New Construction Projects with 50 or more total units**

**(Maximum 4 points)**

Affordable new construction housing developments with total number of units of fifty (50) or more will receive 4 points under this subsection.

**5.5 Negative Points (No maximum)**

The City will award Negative Points based on the following:

**5.5.1** The City will impose 50 negative points to developers that do not follow pipeline order as stipulated herein.

**5.5.2** The City will impose negative points consistent with its soon-to-be-adopted Borrower Compliance Policy

**5.5.3** In addition, the City hereby adopts Section 10325(3) of the CTCAC's Regulations concerning Negative Points system and relevant categories to its Competitive Scoring system.

<b>SCORING SUMMARY COMPETITIVE CRITERIA</b>	
<b>Category</b>	<b>Maximum Points</b>
Financial Efficiency ( <del>60</del> <del>55</del> Points)  1. Donated Land 2. Projected Leverage Ratio <u>3. Committed funds</u>	  <u>20</u> <del>15</del> Points <u>20</u> <del>40</del> Points <u>20</u> Points
General Partner, Management Company, and Borrowing Entity Characteristics ( <del>18</del> <del>30</del> Points)  1. General Partner Experience 2. Property Manager Experience 3. Borrowing Entity is a CHDO	  <u>4</u> <del>15</del> Points <u>4</u> <del>10</del> Points <u>10</u> <del>5</del> Points
Other Policy Objectives ( <del>22</del> <del>15</del> Points)  1. Community Benefit Integration <u>2. SDDA Area High-Cost Area</u> 3. Special Needs Populations 4. <u>New Construction with 50 or more units</u>	  <u>4</u> <del>5</del> Points <u>4</u> <del>5</del> Points <u>10</u> <del>5</del> Points <u>4</u> Points
<b>TOTAL POINTS</b>	<b>100 Points</b>
Negative Points	-__ Points

## 5.6 Additional Project Selection Considerations

### 5.6.1 Ranking and Selection by Set-Aside and Geographic Apportionment Pools

The Call For Projects applications will be ranked within the 9% LIHTC pool, those projects that intend to compete in the Special Needs/SRO Set-Aside, At-Risk Set-aside, Non-Profit Set-aside, and the Los Angeles City Geographic Apportionment. Projects will be selected into the AHTF Pipeline until sufficient number of high-scoring applications will use all tax credits that are available from two (2) CTCAC consecutive rounds.

### 5.6.2 Minimum Permanent Supportive Housing Projects in AHTF Pipeline

In order to maximize utilization of the 9% LIHTC resource and to support production of Permanent Supportive Housing in accordance with the Consolidated Plan, the City will prioritize the goal of always having at least 300 units of Permanent Supportive Housing in the AHTF Pipeline, annually, subject to availability of funds and tax credits.

### **5.6.3 Minimum At-Risk Projects in AHTF Pipeline**

In order to maximize utilization of the 9% LIHTC resource and to facilitate its preservation goals, the City will prioritize the goal of always having at least 100 “At-Risk units in the AHTF Pipeline. To do so, the City may reach below higher ranking non-At-Risk affordable housing developments to maintain at least 100 units of At-Risk affordable housing in the AHTF Pipeline at all time.

### **5.6.4 Minimum Senior Projects and Large Family Projects in AHTF Pipeline**

To the extent that there are available 9% LIHTC, AHTF Funds, or leveraging sources for senior projects or large family projects, the City will prioritize the goal of always having at least 50 units targeting seniors, and 450 units targeting large families, in the AHTF Pipeline.

### **5.6.5 Geographic Distribution of Resources**

Due to the development community’s strong belief in the benefits of Transit Oriented Developments, and in accordance with the City’s 5-Year Transit Oriented Consolidated Plan, the AHTF Program will continue to favor affordable housing developments that are located within the ½-mile of an existing or fully-funded transit corridor (please refer to the TOD definition in Section 2.21).

~~As a preliminary notice, beginning September 2015, the HCIDLA for its future Call For Projects, will consider modifying the definition of “TODs” in Section 2.2 to align it with that of the State of California’s Affordable Housing and Sustainable Communities Program (Cap and Trade Program).~~

~~For this 2015 Call For Projects, to~~ To enable HCIDLA to allocate its geographic distribution of resources, the City shall prioritize a goal of having at least 640 TOD units, and 160 non-TOD units in the AHTF Pipeline.

### **5.6.6 Priority Order of LA City Goals**

This is a competitive Call For Projects and applications will be scored according to the selection criteria and goals set forth above. After verifying all application self-scores, projects will be selected in the following order, subject to availability of 9% LIHTC, AHTF Funds, or other leveraging sources:

**FIRST**, all applications will be sorted according to “Location Type” by grouping together: 1) all TOD projects, and 2) all Non-TOD projects. Within the non-TOD group, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking non-TOD project, and then the next top-ranking project and so on, the HCIDLA will select projects from this non-TOD group, and admit them into the AHTF Pipeline. The HCIDLA will keep a cumulative count of the number of Non-TOD units that are being accepted into the AHTF Pipeline and will continue to select projects until the goal of 160 non-TOD units is reached. The HCIDLA will stop selecting non-TOD applications when the goal for non-TOD units is reached.

**SECOND**, within the TOD group, applications will be sorted according to: 1) Permanent Supportive Housing Project (PSHP), and 2) Non-PSHP. Within the PSHP group, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking PSHP project, and then the next top-ranking project and so on, the HCIDLA will select projects from this PSHP group and admit them into the AHTF Pipeline. The HCIDLA will keep a cumulative count of the number of PSHP units that are being accepted into the AHTF Pipeline from the first and second order of selections, and will continue to select projects until the goal of 300 PSHP units is reached. If the goal of 300 PSHP units is not yet reached, the HCIDLA will continue to select PSHP projects from the remaining Non-TODs, beginning with the top-ranking project, and then the next top-ranking project and so on, until the goal of 300 PSHP units is reached. When the goal of 300 PSHP units is reached, the HCIDLA will stop selecting PSHP application into the AHTF Pipeline.

**THIRD**, within the 9% LA City Regional Apportionment group (General Pool), the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking project, and then the next top-ranking project and so on, the HCIDLA will select projects from this General Pool group and admit them into the AHTF Pipeline. The HCIDLA will keep a cumulative count of the number of General Pool units that are being accepted into the AHTF Pipeline from the first and third set of selections and will continue to select projects until the goal of 450 Large Family units, and 50 Senior units is reached. ~~Pertaining to the available 9% LIHTC from the L.A. City Geographic Apportionment, the maximum amount that HCIDLA shall use when selecting General Pool applications is \$10,387,252 or 105% of the Annual Adjusted Credits for 2015.~~

**FOURTH**, within the Bonds/4% LIHTC group, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking Bonds/4% LIHTC project, and then the next top-ranking project and so on, the HCIDLA will select projects from this group and admit them into the AHTF Pipeline. The HCIDLA will keep a cumulative count of the number of units that are being accepted into the AHTF Pipeline from the first, second, third, and fourth set of selections and will stop selecting projects into the AHTF Pipeline as goals are reached, subject to availability of AHTF Funds.

**FIFTH**, within the group of applications that are not classified under the First, Second, Third, or Fourth Selection Order as mentioned above, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking project, and then the next top-ranking project and so on, the HCIDLA will select projects from this group and admit them into the AHTF Pipeline. The HCIDLA will keep a cumulative count of the number of units that are being accepted into the AHTF Pipeline from the first, second, third, and fourth set of selections and will stop selecting projects into the AHTF Pipeline as goals are reached, subject to availability of AHTF Funds.

### 5.6.7 Intentionally Left Blank

#### **Redevelopment of Distressed Public and/or HUD-Assisted Housing**

The massive loss of financial resources for the production of affordable housing has placed even more pressure on preserving existing affordable housing. In response, the City has provided a preference for Choice Neighborhood funded projects and consistent with this strategy the City plans to support the redevelopment of Jordan Downs. Given the pressure to address affordable housing needs city-wide, the City is making a limited commitment to support up to 300 units of the Jordan Downs redevelopment with 9% tax credits and HOME funds.

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The Jordan Downs Redevelopment project, which is currently in the planning stages by the Housing Authority of the City of Los Angeles (HACLA) will require a significant public subsidy to be developed. Any discussion about the AHTF pipeline must include the potential redevelopment of Jordan Downs. Due to the unique funding challenges for Jordan Downs, the Mayor's Office, Councilmember Buscaino's Office, HCIDLA, the Planning Department, LAPD, and HACLA have been working together on the Jordan Downs redevelopment project to help increase its probability of obtaining key funding and help the proposed project avoid delays between phases if it is successful in obtaining federal financing. The resources needed to redevelop Jordan Downs are so large it would negatively impact financing any other affordable housing in the City if its needs are not included in the pipeline and managed appropriately. In order to mitigate the possibility of depleting scarce public subsidies and negatively impacting other housing policy priorities and proposed affordable housing located throughout the City, the 9% LIHTC Pipeline Management Plan includes a commitment for an amount and the timing of City administered (9% tax credits and HOME) funds needed for Jordan Downs redevelopment. Through various negotiations HACLA and the parties have agreed that HACLA will finance and begin construction on the first 700 Jordan Downs Redevelopment units using a HUD Choice Neighborhood Initiative (CNI) grant(s), HACLA Replacement Housing Funds, private activity bonds and 4% tax credits and/or other (non-City administered affordable housing) resources. In return, HACLA for the Jordan Downs Redevelopment Project will be allocated 9% LIHTC and HOME funds through the AHTF Pipeline for a total of up to 300 units. This commitment of 9% tax credits and HOME funds would be valid for a 3-year period to allow HACLA to apply and obtain a HUD CNI grant. This financing commitment from the City to HACLA in the AHTF Pipeline does require HACLA to meet minimum thresholds prior funding. The funding provided by the City for 300 9% LIHTC units would be phased in over two years (maximum one HCIDLA Call for Projects per year), so as to not stop all other affordable housing development financing in the City. Also as negotiated with HACLA the City funding is conditioned on HACLA: 1) meeting its funding thresholds for City (HOME and 9% LIHTC) and other funding; 2) obtaining a HUD Choice Neighborhood grant within 3 years. The first application submission date for a HUD CNI grant is September 10, 2013; and 3) HACLA completing certain updates to its Specific Plan to relocate the community center to the outer edge of the Jordan Downs site

~~and breaking the large limited use park into four community parks site to enhance the development for safety and usability, and maximize its funding options. Depending of the size and type of the 300 units built at Jordan Downs, the combined value of 9% tax credits and HOME funding could be worth between \$62 million and \$100 million. The commitment of funding to Jordan Downs and the site plan enhancements agreed to by HACLA are required to obtain City financing, but they will provide a real financing plan for the Jordan Downs redevelopment, greater safety in the parks and better community access to amenities for the residents of Watts.~~

**5.7 Exceptions to Pipeline Order Pertaining To Small-Site Developments**

For the anticipated Round 2 of a 9% CTCAC Competitive Round, if the next project in the AHTF Pipeline List has a tax credit request that is too large to be reachable, the City may move up a smaller development seeking a small amount of 9% LIHTC. This will be done in accordance with the applicable CTCAC practices.

**5.8 Tie Breaker**

If multiple applications receive the same score, the following tiebreaker shall be employed:

Priority will be given on the proximity of the expiration of their commitments: the application with any existing funding commitment/s from the City and/or non-City resource/s that is at risk of recapture or loss, will be selected over an application that has existing funding commitment/s but is not at risk of recapture or loss.

## **SECTION 6 PROJECT READINESS AGREEMENTS**

### **6.1 General Provisions**

Resulting from the Call for Projects, a limited number of developments all be selected to enter into a Project Readiness Agreement (PRA). The number of developments selected will consistent with the City priorities and available resources. Should an agreement not be reached between the City and the selected development sponsor on the terms of the PRA, the next highest scoring development of comparable characteristics will be chosen to enter into negotiations to execute a PRA. Applicant/developer will have a maximum of sixty (60) calendar days after the formal approval of their project to execute a PRA. Formal approval is defined as the date of City Council approval and Mayor's concurrence of the selected list resulting from the Call for Projects.

### **6.2 Conditions Detailed in a PRA**

The PRA shall detail, among other facts and conditions, the number of affordable units to be produced, location, housing type, target population, affordability levels, applicant/developer and development team, compliance to the City's Borrower Compliance Policy by the developer and all current and future members of the development team, projected total development costs, maximum Public Funds subsidy, projected 9% LIHTC to be requested, timeline for performance and projected CTCAC round for allocation. In addition, applicant/developer will commit to abiding by all applicable local, state and Federal regulations tied to current and future funding sources. Also, the PRA will document that the City may require the developer to withdraw its CTCAC application if not doing so will result in the unintentional bumping described in Section 9.1.

The PRA will document the mutual agreement between the City and the developer on the conditions needed to be met in order for the project to be "Ready" or achieve "Project Readiness," including, but not limited to, full entitlements, all other financing commitments, and letter of support from the Council Office (Attachment\_ 7.3).

### **6.3 Enforceable Commitments from the City through a PRA**

To demonstrate the City's enforceable financial commitment for the purposes of applying for funding from other sources, the City will issue the PRA, or a supporting document, to document the City's financial commitment.



## SECTION 7 PROJECT READINESS

### **“Project Readiness” Due Diligence Requirements**

For a development to be determined with “Project Readiness”, all applicable items in the Support Documents tab of the on-line application must be submitted. The requirements to meet “Project Readiness” include, but are not limited to the following:

#### **7.1 Intentionally Left Blank Soils Report**

~~All new construction projects must submit a soils report completed within the past twenty-four (24) months of the Call For Projects application deadline, for the purposes of evaluating the geo-technical engineering characteristics of the on-site subsurface soils relative to the anticipated development. The report shall include the description of the field exploration and laboratory tests performed; evaluation of soil liquefaction potential; conclusions and recommendations relating to construction of the proposed residential development based upon the analyses of data from exploration and testing programs; and, knowledge of the general and site-specific characteristics of the subsurface soils. Reports for sites occupied by structures must include subsurface investigations that are conducted in compliance with, and subject to, City of Los Angeles Department of Building and Safety standards.~~

#### **7.2 Engineering Inspection (for all rehabilitation projects)**

All rehabilitation projects must submit a property needs assessment report or an engineering inspection report completed within the past twelve (12) months, from a qualified engineer or building inspector, to identify the remaining life of all major systems including, but not limited to, plumbing, electrical, HVAC, foundation, and roof. The purpose of the aforementioned inspection is to reduce the likelihood of unforeseen conditions which could substantially change the cost and/or scope of work approved. Additionally, HCIDLA may require that a cost certification be prepared to determine if the cost and scope of work identified by the applicant coincides with that of the property inspector and engineering assessment. Should it be determined that the additional costs identified render the project infeasible, it will be the responsibility of the applicant to secure non-City funds for the identified costs. If the applicant is unable to do so, the commitment of City funds may be withdrawn. In order to score projects appropriately, any document submitted as proof of site control must permit access to the property for all inspections identified above. A code inspection will also be conducted by HCIDLA as part of its review process.

#### **7.3 Intentionally Left Blank Council Office Support**

~~All applicants/developers must submit a letter of support for commitment of City funds to the project from the Council Office(s) in which the project site(s) is/are located (Attachment\_7.3). The letter must be submitted to meet Project Readiness.~~

#### **7.4 Architecture and Design Use Criteria**

Applicants/developers must provide written rationale that explains the project design, and submit an electronic copy in Adobe Acrobat format (Pdf) of 24” x 36” architectural plans. The written rationale should be consistent with the submitted design. For “non-

structural rehabilitation projects”, applicants must provide rehabilitation plans that indicate the proposed improvements to enable HCIDLA cost estimators to locate, quantify and confirm all proposed improvements (e.g., number of doors, windows and/or fixtures to be replaced; floor, wall and ceiling areas to be rehabilitated, indicating site work, if any, such as paved walkways, driveways, steps, landscape areas, low retaining walls to be added or replaced, etc).

All proposed projects shall undergo an architectural review. To meet the condition of Project Readiness, the project design should comply with HCIDLA Architectural Guidelines. CTCAC projects must score the minimum number of points according to CTCAC’s Sustainable Building Methods criteria as outlined in the Architectural Guidelines (Exhibit 01).

For “cosmetic rehabilitation projects”, applicants are required to submit a property needs assessment report or engineering inspection report as described in Section 7.2 of these AHTF Regulations. Aesthetic and environmental considerations will be part of the review process. Projects that reflect community input and support and serve to enhance the surrounding community are encouraged. In addition, applicants must make the proposed project architect aware of HCIDLA’s “Architect’s Consent and Assignment” policies as outlined in Exhibit 01.

If demolition of residential units is proposed, the applicant must explain why such an approach is necessary. Structures eligible for listing on the National Register of Historic Places may only be demolished subject to completion of environmental review and approval. Structures built before 1978, which require rehabilitation or demolition, will require a budget for lead and asbestos testing and abatement.

#### **7.4.1 Accessibility Certification Requirements**

A State of California Certified Access Specialist (CASp) who is licensed architect or engineer must be identified as part of the development team. The CASp cannot be the architect of record for the project.

Applicants/developers must work with their CASp consultants/specialists to determine which standards are applicable to the proposed project; all developments must comply with applicable accessibility standards including but not limited to:

- Section 504 of the Rehabilitation Act of 1973 and its Uniform Federal Accessibility Standards (UFAS);
- Federal Fair Housing Act Amendments;
- Americans With Disabilities Act of 1990 (ADA) Title II;
- California Building Code;

In addition to the project site and the buildings being accessible to people with disabilities, the development must construct at least:

- 4% of the total units in the project must be accessible to persons with sensory impairments;

**and,**

- 10% of the total units in the project must be accessible to persons with mobility impairments.

The 4% and the 10% calculations shall be based on the total number of units in the project. Required accessible dwelling units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites and shall be available in a sufficient range of sizes and amenities so that a qualified individual with handicap's choice of living arrangements is, as a whole, comparable to that of other persons eligible for housing assistance under the same program.

~~These units must be dispersed throughout the development and, in so far as possible, be representative of the types and numbers of bedrooms in the development.~~

An accessibility report by a CASp inspector ~~A CASp report~~ certifying that the development is compliant with applicable accessibility standards must be submitted to and approved by HCIDLA at the following phases of the project development (see Attachment ~~2.24~~ 7.4.1 and Exhibit 1 HCIDLA Architectural Guidelines):

- Conceptual architectural plans or schematics;
- Construction documents prior to submission of plan check to Los Angeles Department of Building and Safety;
- Progress inspections;
- Completion of construction.

The cost of CASp activities and certifications should be included in the application's project budget.

A list of State Certified Disabled Access Specialists can be found at the following link:

[https://www.apps.dgs.ca.gov/casp/casp\\_certified\\_list.aspx](https://www.apps.dgs.ca.gov/casp/casp_certified_list.aspx)

## **7.5 Defaults, Foreclosures and Citations**

All applicants/developers, including partners and principals, must disclose bankruptcies, defaults or foreclosures, conflicts of interest or any event which could lead to a potential bankruptcy, default or foreclosure or conflict of interest by completing and submitting the HCIDLA Credit Check Authorization (Attachment\_2.9.4). For this purpose, violation of terms, conditions and/or covenants, whether or not a Notice of Default has been recorded,

is deemed a default. Failure to disclose an actual or potential bankruptcy, default or foreclosure or conflict of interest will result in the rejection of the application and/or will be considered an event of default in HCIDLA's loan documents. All code violations and their remediation on existing projects must also be disclosed. Additionally, HCIDLA's commitment of funds may be withdrawn if any of the above-mentioned actions are discovered after the commitment is made.

If disclosure is made with respect to the above, the applicant must provide a complete explanation of the circumstances and current status. HCIDLA, in its sole discretion, will determine if the explanation is acceptable. An unacceptable history of delinquencies, bankruptcies, defaults or foreclosures, or conflicts of interest are all, singularly or in combination, grounds for rejection of the application.

#### **7.6 Failure to Comply with Davis-Bacon or State Prevailing Wage Requirements**

Applicants/developers who have repeatedly attempted to avoid the payment of Davis-Bacon and/or State Prevailing wages, or who have been referred to the Department of Labor, the Department of Housing and Urban Development, the California Labor Commission or any other enforcement agency, may be disqualified. Additionally, any project that does not submit construction costs at the applicable Davis-Bacon/State Prevailing wage rates may also be disqualified. An applicant must submit written certification that they will comply with Davis Bacon or State Prevailing Wage requirements (Attachment\_2.5).

#### **7.7 HCIDLA Business Policy**

HCIDLA has worked with a substantial number of developers over the years to create affordable housing. However, in some cases, developers exceeded their capacity to complete projects that have received City funding commitments. In response, HCIDLA received approval from the Mayor and City Council to adopt the Department's Business Policy. The Business Policy provides direction concerning specific collection steps and renders applicants and their related partnerships ineligible for City assistance if in non-compliance with loan agreements or other contract(s) with the City. Non-compliance includes but is not limited to any monetary or non-monetary compliance issues, such as failure to submit payments when due, failure to submit required financial statements in a timely manner, failure to submit documents verifying adherence to rent regulatory agreements when required, failure to comply with the requirements of any rent regulatory agreement or covenant, and failure to correct any building deficiency noted by any governmental agency in a timely manner. An application is deemed ineligible to compete for funding if any member of the applicant's ownership entity has an interest in a current project or projects that are in monetary or non-monetary default. Rehabilitation projects involving properties placed into HCIDLA's Rent Escrow Account Program (REAP) under the current ownership and remaining out of compliance at the time of application are also ineligible to compete for funding.

In accordance with the HCIDLA Business Policy, the applicant must provide a list of ALL residential income properties located within Los Angeles City limits that the applicant and the applicant's partners and/or principals have (or previously had) a vested interest in, including all properties currently or previously owned by any of the aforementioned parties, regardless of funding source (Attachment\_2.9.2). The list must

be submitted in Microsoft Excel format. In addition, a complete and accurate list of the names of all persons and entities who are partners or principals in the project, including the name(s) of the applicant(s), must be provided (Attachment\_2.9.3).

HCIDLA will conduct a background check internally, based on the information provided to determine if any outstanding financial statements, residual receipts payments, Rent Registration or Code (SCEP) or Land Use Monitoring fees are due, if there are unpaid property taxes, lapsed insurance, Occupancy Monitoring (tenant eligibility) issues or issues concerning Affirmative Marketing due to non-listing on Housing.LACity.org, outstanding cited habitability violations, and/or if the property is in any of the City's compliance programs due to unabated habitability violations (i.e., REAP). Failure to disclose all applicable properties may result in disqualification of the application.

## **7.8 Contracts**

Copies of all contracts entered into as part of the development of the proposed project must be submitted as part of “Project Readiness” the Call For Projects application and are subject to HCIDLA approval.

## **7.9 Property Management Plan**

Skilled property management is critical to the success of affordable housing developments. As part of Project Readiness evaluation process, applicants/developers must submit a Property Management Plan (PMP) no later than sixty (60) days prior to the CTCAC Application deadline for which the project is scheduled to apply for tax credits. The PMP shall include a clear outline of the project’s Affirmative Marketing process including detailed information concerning outreach to the various communities interested in leasing mobility and sensory accessible units, and ongoing monitoring of the occupancy in these units. (Exhibit 4). The HCIDLA shall only accept PMPs that are completed using the template supplied by HCIDLA as Exhibit 4. Any PMP that is different from the HCIDLA-supplied template will not be accepted. Applicants/developers must submit a Property Management Plan (Attachment\_7.9). This information will be used in the Project Readiness evaluation process. In addition, before HCIDLA will commit to funding any loan for a project selected through the Call For Projects process, the developer must submit the qualifications of its management entity.

## **7.10 Project Feasibility**

This category will determine whether the project, as proposed, is financially feasible and demonstrates long-term viability as an affordable housing project. Projects must use the underwriting criteria required the identified leveraging source, in combination with HCIDLA guidelines detailed in Section 3 of these AHTF Regulations.

### **7.10.1 Assessment of Cost and Contractor’s Cost Certification**

The reasonableness of the estimated development costs will be analyzed in relation to the type and size of the development. HCIDLA staff and consultants will perform a detailed underwriting and cost estimating review of the submitted costs. Applicants must include comprehensive notes and assumptions with financial exhibits and detailed construction cost estimates in order for HCIDLA staff to perform an adequate and fair review of development costs.

Builder overhead, profit and general conditions/requirements are limited to 14% of the construction cost. Construction contingency allowances must be allocated outside the proposed construction contract amount, and should be between 5% and 10% of the total construction costs for new construction and between 10% and 15% for rehabilitation projects.

Please refer to Section 3.7.7.5 – *Cost Certification* for details regarding specific requirements under these AHTF Regulations.

#### **7.10.2 Assessment of Long-Term Viability**

For proper evaluation of construction costs, it is recommended that the developer submit all pertinent information that impacts construction cost. This may include but is not limited to the assessment of the project's long-term viability. All projects must demonstrate viability supported by a 15-year cash flow proforma which shows positive cash flow. The reasonableness of the operating expenses, reserves, and overall assumptions will be analyzed in relation to the type and size of the development. Operating subsidies reflected in the proforma must be supported by commitments which can reasonably be relied upon. The marketability of the project, in terms of how suitable the proposed rents are relative to the market, will also be taken into account in assessing long-term viability.

#### **7.11 Architectural Design Review**

All proposed projects will be evaluated on design issues related to site planning, common spaces/circulation, unit layout, and compliance with applicable accessibility standards.

- New construction projects will be evaluated on design issues such as neighborhood compatibility, site amenities, circulation, crime prevention, aesthetics, interior spatial relationships, landscaping, design efficiency, unit/room layout and energy efficiency.
- Rehabilitation projects will be evaluated on design issues such as neighborhood improvement, site amenities, circulation, crime prevention, aesthetics, internal spatial relationships, landscaping, design efficiency and energy efficiency.
- As described above, all project designs must demonstrate compliance with all applicable accessibility standards.

#### **7.12 Land Use Covenants**

The Los Angeles City Planning Department's Conditions of Approval for any project receiving a Density Bonus or other incentive will require that prior to loan closing, a land use covenant is recorded to restrict the units to the HCD rent levels. Exceptions are allowed pursuant to the Zoning Administrator's Interpretation Case No. ZA-2009-2676, Section 12.22-A, 25(d)(2) of the Los Angeles Municipal Code – Density Bonus Provisions.

**Immediately following an award from the leverage source, applicant/developer must contact the HCIDLA Land Use Unit and submit documentation to allow HCIDLA ample time to complete the land use covenant prior to loan closing.**

### **7.13 Formation Documents**

The following due diligence items are required for Project Readiness:

- A. With respect to a corporation:
  - 1) Certificate of Good Standing issued by the Secretary of State, issued within six months prior to the Call For Projects application deadline;
  - 2) Articles of Incorporation;
  - 3) By-laws, which reflect as one of its purposes, the development and/or management of affordable housing;
  - 4) Current list of Board of Directors;
  - 5) A certified copy of a resolution of the Board of Directors, executed within 90 days of the Call For Projects application deadline. The resolution must include:
    - a. Authorization to participate in the Call For Projects
    - b. Authorization to enter into and execute any and all contractual obligations, including but not limited to the City of Los Angeles Land Use Regulatory Agreement, Loan Agreement, and other documentation, as may be required by the City of Los Angeles.
    - c. Names and offices of the authorized signatories who may act on behalf of the corporation, based on the required categories below
  - 6) If the borrowing entity is a not-for-profit corporation, a copy of its 501 C (3) or (4) designation must also be submitted
  
- B. With respect to a California Limited Partnership:
  - 1) A certified copy of the certificate of limited partnership
  - 2) (form LP-1) and any amendment thereto (form LP-2) recorded in public records
  - 3) A full copy of the partnership agreement and any amendments
  - 4) Satisfactory evidence of the consent of a majority in interest of the limited partners for the limited partnership to participate in the Call For Projects, and to enter into and execute any and all contractual obligations, including but not limited to the City of Los Angeles Land Use Regulatory Agreement, Loan Agreement, and other documentation, as may be required by the City.
  
- C. With respect to Limited Liability Company:
  - 1) A copy of its operating agreement and any amendments thereto
  - 2) A certified copy of its Articles of Organization (LLD-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of article of organization (LLC-10) recorded in public records

D. With respect to a Joint Venture:

- 1) All documents in this section (as applicable) must be submitted by both parties of the joint venture.

Sample signature block to be used in execution of loan documents entered into with HCIDLA is required.

With respect to execution of any loan documents, pursuant to California Corporations Code §313 and *Snukal v. Flightways* (2000) 23 Cal. 4<sup>th</sup> 754), all documents executed or entered into by HCIDLA with a corporation should have the signature of an officer in each of the following two categories:

- A. Chairman of the Board, President, or any Vice-President; and,
- B. Secretary, any Assistant Secretary, Chief Financial Officer, or any Assistant Treasurer;

A current Business Tax Registration Certificate issued by the City of Los Angeles is also required.

#### **7.13.1 Financial Statements**

Financial statements for the last three years (Balance Sheet, Income Statements, Cash Flow Statements with notes) shall be submitted with the complete Call For Projects application and as applicable, subsequent Quarterly Statements.

#### **7.14 Identities of Interest**

An applicant must provide identification of any persons or entities (including affiliated entities) that plan to provide development or operational services to the proposed project in more than one capacity, and full disclosure of related parties, as defined.

Related party is defined to include:

- The brothers, sisters, spouse, ancestors, and direct descendants of a person;
- A person and corporation where that person owns more than 50% in value of the outstanding stock of that corporation;
- Two or more corporations that are connected through stock ownership with a common parent with stock possessing:
  - at least 50% of the total combined voting power of all classes that can vote, or
  - at least 50% of the total value of shares of all classes of stock of each of the corporations, or
  - at least 50% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, stock owned directly by that other corporation, in computing voting power or value;
- A grantor and fiduciary of any trust;
- A fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;
- A fiduciary of a trust and a beneficiary of that trust;



- A fiduciary of a trust and a corporation where more than 50% in value of the outstanding stock is owned by or for the trust or by or for a person who is a grantor of the trust;
- A person or organization and an organization that is tax-exempt under Subsection 501(a) of the Internal Revenue Code and that is affiliated with or controlled by that person or the person's family members or by that organization;
- A corporation and a partnership or joint venture if the same persons own more than:
  - 50% in value of the outstanding stock of the corporation; and
  - 50% of the capital interest, or the profits' interest, in the partnership or joint venture.

### **7.15 Supportive or Enhanced Services Plan**

All projects must submit for HCIDLA's approval, a supportive services plan that is appropriate to the target population (Attachment\_7.15). The plan shall contain 1) details of detailing the services to be provided to the target population, 2) frequency of services, 3) monitoring of clients' participation in services and measurement of clients' successful completion of services. The information on supportive service provider(s) that includes provider's prior experience working with the targeted population in permanent supportive housing and its success rates, must be identified in the plan. Letters of commitment and/or contractual agreements with those agencies, showing sufficient funding, must be provided.

The supportive services plan shall include a services "Sources and Uses" budget, clearly stating all anticipated income and expenses associated with the services that are being proposed for the project. The budget shall be consistent with the services commitments submitted (i.e. MOUs, contracts, letters, etc.) and should only be approved by HCIDLA if it adequately accounts for the level of service. Budgeted amount must be reasonably expected to cover the costs of the proposed level of service. The budget should specify the project's total number of chronically homeless units and/or homeless with special needs units, if there are any. In addition, the plan shall specify:

- The total number of case manager/s or service coordinator/s and including their annual salaries;
- The number of chronically homeless and/or special needs units, if there are any.

The Case Manager-to-tenant ratios shall be consistent with Section 3.3 of the Regulations and/or requirements of other outside funding sources or operating subsidies.

Developments will be required to receive applicant referrals from the County Departments and collaborate with the applicable County Departments to finalize the supportive services plan to serve this population. Applicants are encouraged to complete as much of the supportive services plan as possible and should indicate in it that they will collaborate with the County Departments on the final supportive services plan.

For projects applying for HUD-VASH PBVs, referrals must be taken from, or approved by, Veterans Affairs. Applicants must collaborate with Veterans Affairs and the County Departments on supportive services.

Details regarding the supportive service requirements must be obtained from PBV Notice of Funding Availability (NOFA) in the HACLA. For discrepancies between these AHTF Regulations and HACLA's PBV NOFA requirements, the HACLA requirements will prevail.

**7.16 Evidence of Approvals Necessary to Begin Construction or Clearance Sign-offs for Attachment 26 of CTCAC Application**

Applicants/developers must provide evidence, as verified by the appropriate officials from the Department of Building and Safety and/or Department of City Planning, of the site plan approval, design review approval, conditional use permit, variance approval, CEQA environmental clearance, Coastal Commission Approval, and other requirements, with the exception of NEPA environmental clearance, Article 34 Authority, Toxic and Soils Report. To show evidence that these requirements to begin construction are either finally approved or unnecessary, project sponsors shall obtain signatures on Attachment 26 of the CTCAC Application from appropriate approving agencies (Attachment \_7.16)

**7.17 HCIDLA's Approval of Requested Amounts for 9% L.A. City Geographic Region Tax Credits**

Sixty (60) days prior to a CTCAC Application deadline, as a condition for "Project Readiness", each project that has been queued to apply for 9% L.A. City Geographic Region Tax Credits (see Section 8.2) shall submit a request to HCIDLA, for approval of the requested amount of tax credits.

Upon receipt of these requests, the HCIDLA will review each project's initial tax credit amount as represented in the project's CFP application, and compare these with the requested amounts, and will identify any increased requests. HCIDLA will only approve requests to the extent that there are sufficient credits available for all projects applying in a given round. Applications for projects with increased credit requests that cannot be accommodated may be delayed until a future round with available credit.

**SECTION 8**  
**PIPELINE ORDER ENFORCEMENT AND AHTF PIPELINE CALENDAR**

**8.1 Parameters for the AHTF Pipeline Calendar**

The following parameters shall be implemented by HCIDLA Staff to develop and maintain the AHTF Pipeline Calendar:

- Developers will schedule themselves for CTCAC Funding Rounds when they determine their readiness; HCIDLA staff will verify a reasonable timeframe for readiness.
- For the Set-asides, HCIDLA will schedule projects to use a maximum of approximately 75% of the tax credits available statewide, in a given CTCAC Funding Round.
  - If two or more Set-aside/Permanent Supportive Housing developments request the same CTCAC Funding Round, HCIDLA will apply the following tie-breakers to schedule projects based on the preceding parameter:
    1. Developments with committed operating subsidies (Housing Assistance Program (HAP) funding, Project-Based Section 8 Vouchers (PBV), or Veterans Affairs Supportive Housing (VASH));
    2. Developments with committed financing having Placed-in-Service deadlines (e.g., HCD TOD's June 2017 deadline);
    3. Projects admitted under Initial Call for Projects first; the January 2014 Call for Projects second;
    4. Highest HCIDLA Verified Score first, lowest score last.
- For the L.A. City Geographic Region, HCIDLA will schedule projects to use a maximum of 125% of the tax credits available per round.
  - If two or more L.A. City Geographic Region developments request the same CTCAC Round, HCIDLA will apply the following tie-breakers to schedule projects based on the preceding parameter:
    1. Developments with committed financing having Placed in Service deadlines (e.g., TOD's June 2017 deadline);
    2. Highest HCIDLA Verified Score first, lowest score last;
    3. Small developments.
- Allowable number of projects per developer, per round: HCIDLA agrees to be flexible and follow the parameters and tie-breakers above. However, consistent with CTCAC's Qualified Allocation Plan (QAP), HCIDLA will observe a cap of three projects per developer, per round;
- If a project is not ready to apply for its scheduled CTCAC Funding Round, the project drops down to the next open slot;

- Applicants/developers must provide HCIDLA with “Proof of Readiness to Apply for LIHTC” 60 days prior to their slotted CTCAC round deadline;
- The AHTF Pipeline Calendar must meet the deadlines of other public sources (e.g., HCD TOD 2017 deadline).

## **8.2 Publication of Pipeline List**

The City will publish the AHTF Pipeline upon inception, and every time the AHTF Pipeline is modified either through addition via a Call For Projects, or deletion via the full-funding of developments through 9% LIHTC, or any other financing structure. The current pipeline will always be available for public view at the HCIDLA website. Publication of the AHTF Pipeline will be consistent with Section 8.1 above. Moreover, the City will publish a reasonable amount of information of applications under review and at several milestones prior to formal approval by the City Council and concurrence by the Mayor.

## **8.3 Issuance of Local Review Letter**

The CTCAC application requires a Local Review Letter for each development seeking 9% LIHTC. The City, through HCIDLA, issues the local review letters for developments located within the City. In support of the AHTF Pipeline, the City will only ~~issue local review letters with~~ the City’s “Strong Support” in a Local Reviewing Agency (LRA) letter to 9% LIHTC-seeking developments coming out of the City’s AHTF Pipeline; and in the order in which projects are authorized to apply. By adoption of these policies, the Mayor and City Council have selected HCIDLA as the sole entity of the City authorized to issue the Local Review Letter. Any developer that applies to CTCAC for an allocation of 9% LIHTC for an affordable housing development located within the City of Los Angeles, but did not go through the AHTF Pipeline or applies out of order without HCIDLA’s written consent, will receive an LRA letter ~~a Letter Review Letter~~ indicating “Strongly Oppose”.

## **8.4 Negative Points**

Any developer that applies to CTCAC for an allocation of 9% LIHTC for an affordable housing development located within the City of Los Angeles, but did not go through the AHTF Pipeline or applies out of order without HCIDLA’s written consent, will be assessed fifty negative (-50) points on their next applications for the following three (3) years beginning from the date of the date on which the application to CTCAC was submitted.

## **8.5 9% LIHTC Application Alternates**

As part of its strategy to ensure allocation of the entire L.A. City Regional Apportionment of 9% LIHTC to City developments, the City may choose to allow for more applicants to request for tax credits than there are available 9% LIHTC in a CTCAC Funding Round. This strategy is designed to account for any of the City-supported applications that may be declined due to unforeseen reasons which could cause a delay in moving projects forward as they are scheduled in the AHTF Pipeline Calendar. To minimize the impact of applications of the City developments being declined.

The HCIDLA shall select a next “Ready” project that shall be designated as an alternate and shall be included in the group of projects that will be allowed to apply to CTCAC in a given funding round, provided that it satisfies the following requirements:

- Its applicant/developer has demonstrated, to the HCIDLA’s satisfaction, that the project has achieved Readiness;
- It has the highest HCIDLA-verified score among the next group of projects in the AHTF Calendar that is scheduled to apply to CTCAC;
- Its tax credit request in combination with requests of all City projects in that round minus any of the unsuccessful project, will not cause the L.A. City Region’s aggregate award amount to exceed 125 percent (125%) of the amount originally available for the region in that funding round.

At HCIDLA’s discretion, in a CTCAC Funding Round where a City-supported application in the L.A. City Geographic Region would be declined, a City-supported application that is concurrently applying under the Special Needs or Non-profit Set-Aside may be allowed to drop-down if the latter is perceived to be unsuccessful in that Set-Aside.

#### **8.6 Expediting the AHTF Pipeline**

In the interest of increasing and expediting production of affordable housing, the City may elect to propose alternative financing structures to the affordable housing developments in the AHTF Pipeline. Such propositions will be made in the order of priority per the published AHTF Pipeline described in Section 8.1 above. Should the developer next in line not accept a re-structure, the City may approach the next developer in line. In addition, if the opportunity arises to shift one affordable housing development from one set-aside pool to another, with the end result being expediting the AHTF Pipeline, the City may, at its sole discretion, take advantage of that opportunity.

#### **8.7 Unsuccessful CTCAC Applications**

Should any development be rejected twice by CTCAC due to technical deficiencies in the application, and not due to competitiveness, the development will be moved to the end of the corresponding set-aside pipeline; in the back of the development that most recently achieved “Project Readiness.”

#### **8.8 Coordination with City of Los Angeles Housing Authority (HACLA)**

The coordination between the HCIDLA and HACLA and the mutual selection and ultimate award of Project-based Vouchers and Veterans Affairs Supportive Housing Vouchers will take into consideration the City’s early selection process and resulting active pipeline management.

#### **8.9 Tax-exempt Bond/4% LIHTC Projects with non-City Enforceable Commitments**

The City will accept applications through its Call for Projects, until further notice, from affordable housing developments seeking City-administered financial resources to finalize a Bond/4% LIHTC transaction. Affordable housing developments applying under this caveat must meet all Threshold Criteria in Section 2, with the added stipulations that (1) the request for City-administered financial resources cannot exceed the loan limits described in Section 2.4 above, (2) the average affordability of the

proposed affordable housing development must be in accordance with Section 2.18 above, and (3) must meet the minimum requirements of the most restrictive funding source.

**8.10 Eligibility to Apply to New Generation Fund and Supportive Housing Loan Fund**

The City will coordinate approval of New Generation Fund (NGF) and Supportive Housing loan Fund (SHLF) Fund acquisition and predevelopment loans in alignment with, and as a part of, the AHTF Pipeline. As a matter of practice, affordable housing developments seeking 9% LIHTC and/or City-administered Public Funds will be eligible for a NGF or SHLF loan only after the development has been accepted into the AHTF Pipeline. HCIDLA may deviate from this practice only under extraordinary situations in which the project shall meet one or more policy thresholds as determined by HCIDLA, as described below:

- (i) The requested acquisition loan-to-value is equal to or less than 50% of the as-is appraised value;
- (ii) The new development is part of a multi-phase development in which an AHTF Pipeline project is included, and the total number of units from the new development is at least 25% of the total units of the AHTF Pipeline project, and thereby, the new development materially advances the project that is already in the pipeline; or
- (iii) The new development meets the City's housing goals and priorities that are indicated in the Consolidated Plan, and is deemed to be of sufficient importance to HCIDLA, and incorporates a strong loan repayment scenario that is not dependent on a 9% LIHTC structure.

All other NGF and SHLF criteria still apply, including, but not limited to, entitlement and alternate take-out requirements, HCIDLA background check clearance, and HCIDLA underwriting and feasibility assessment with no issues.

**8.11 Other City-Administered Funds**

From time to time, the City may administer additional funds for multi-family affordable housing development (e.g. Neighborhood Stabilization Funds, or Sustainable Building Funds from the Los Angeles Department of Water and Power, etc.). The City will coordinate the award and disbursement of said funds in alignment with, and as a part of, the AHTF Pipeline.

**8.12 Timing of Applying for a non-City Controlled Financial Resource**

The HCIDLA shall allow applicants to propose an uncommitted non-City-controlled leveraging source to garner Financial Efficiency points under the Competitive Scoring Criteria.

For any project that is admitted to the AHTF Pipeline beginning 2015, the HCIDLA and each applicant/developer shall mutually agree on the timing by which a project shall be required to apply for funding from a leveraging source that is originally identified in the application, in accordance with the project's development timeline. At its sole discretion, the HCIDLA shall allow applicants/developers to revise financing strategies for their

project, if and when 1) there are changes to the leveraging source's regulations, regulatory requirements, or scoring criteria that make the pipeline project ineligible or uncompetitive, or 2) there are new funding sources that become available. In these cases, an applicant/developer shall submit a revised financing strategy subject to the written approval by HCIDLA. The revised financing strategy must be submitted to HCIDLA no later than sixty (60) calendar days prior to the leveraging source's application deadline.

If the applicant/developer fails to submit this request within the specified time, then HCIDLA shall re-calculate the project's verified score. If the recalculated score is less than the total point score of the lowest ranking project in that Set-Aside, Geographic Apportionment or Bonds/4% LIHTC, in which the project competed, then the project shall be excluded from the AHTF Pipeline list.

In accordance with Section 1.10.8 HCIDLA reserves the right to withdraw its funding commitment if misrepresentations were made regarding the borrowing entity or the project financing.

**8.13 HCIDLA HOME Funding Requirements**

The management of the projects in the pipeline shall be in a way that allows HCIDLA to meet HUD's commitment, funding, and expenditure requirements.

**SECTION 9**  
**RELATIONSHIP BETWEEN**  
**SET-ASIDE AND GEOGRAPHIC APPORTIONMENT PROJECTS**

**9.1 Disallowed Unintentional Bumping**

If a development is not competitive enough to be awarded 9% LIHTC from the set-aside pool under which it applied, the applicant/developer will be required to withdraw the application. This condition will be initially documented in the PRA, and further documented in any commitment of Public Funds issued for inclusion in the development's 9% LIHTC application. Any such development that does not get funded from the set-aside under which it applied shall apply one more time under the same set-aside at the next available CTCAC Funding Round. Prior to re-application, the City and the applicant/developer will evaluate the development's competitiveness and make adjustments, as appropriate.

**9.2 Intentional Bumping**

If an affordable housing development re-applies for 9% LIHTC under the same set-aside under which it was previously denied funding, and after which the City and the applicant/developer re-evaluated said project and re-positioned it for competitiveness, and subsequently gets bumped into the City of Los Angeles Geographic Pool, the City may allow, at its sole discretion, the intentional drop into the City of Los Angeles Geographic Apportionment.

**9.3 Re-structuring Developments**

To allow the City to expedite ~~In the interest of expediting~~ the flow of projects through the AHTF Pipeline, and/or to allow the HCIDLA to meet HUD's requirements for commitments, funding, and expenditures, the HCIDLA may opt to re-structure bumped or unsuccessful developments. For example:

- If the HCIDLA allows for the drop of a set-aside development into the City of Los Angeles Geographic Apportionment, thereby bumping out of funding range a City of Los Angeles Geographic Pool applicant, the City may opt to re-structure the bumped development as a Bond with 4% LIHTC and additional HOME funds;
- As a general practice, if an AHTF Pipeline project has an expiring commitment from another public agency e.g. LA County CDC and/or HACLA, and is unsuccessful in a CTCAC Funding Round, and HCIDLA perceives that the project will require additional subsidy to make its final TCAC tiebreaker score competitive, and as a result of adding more public subsidy, the difference between the dollars raised in selling competitive 9% credits and the 4% credits, will significantly decrease, the HCIDLA may opt to re-structure the development as a Bond with 4% LIHTC and additional HOME Funds;
- At its sole discretion, the City may also decide to a re-structure a development to allow HCIDLA to meet HUD's commitment, funding, and expenditure requirements.



- Only in cases where HCIDLA will re-structure an AHTF Pipeline project under this section, HCIDLA in its sole discretion, may opt to use the subsidy limits under the HOME Program in place of the HCIDLA maximum subsidy limits regardless of the leveraging source or housing type. From time to time, HUD may adjust these limits and the HCIDLA limits will be adjusted accordingly.

**SECTION 10**  
**OTHER CITY-ADMINISTERED RESOURCES**

**10.1 Local Review Letter**

The CTCAC application requires a Local Review Letter for each development seeking 9% LIHTC. The City, through HCIDLA, issues the Local Review Letter for developments located within the City. The City will issue local support letters in alignment with, and as a part of, the AHTF Pipeline.

**10.2 Land Use Covenant for Affordable Housing**

The City processes land use covenants whereby affordable housing developers are granted density bonuses and/or parking reductions in exchange for building affordable housing. The City will process land use covenants in alignment with, and as a part of, the AHTF Pipeline.

**10.3 Support for the Issuance of Building Permits**

All new construction and significant rehabilitation requires building permits issued by the City through the Department of Building and Safety. When required by established protocols, the Department of Building and Safety consults and seeks the concurrence of HCIDLA prior to issuing a building permit. The HCIDLA will support the issuance of building permits in alignment with, and as a part of, the AHTF Pipeline.

**10.4 Affordable Housing Exemption**

The City, through HCIDLA, administers an affordable housing exemption to the Rent Stabilization Ordinance (RSO). Among other benefits, the affordable housing exemption allows owners to base rent increases on HUD published income limits, and not the City's annual rent increases. The City will process affordable housing exemptions in alignment with, and as a part of, the AHTF Pipeline.