

TRANSMITTAL

To: **THE COUNCIL**

Date: **03/17/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Housing Development Bureau
1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org



Eric Garcetti, Mayor
Ann Sewill, General Manager

March 15, 2021

Council File: New
Council Districts: Citywide
Contact Persons: Yaneli Ruiz (213) 808-8951
Daniel Huynh (213) 808-8901

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT REQUEST FOR AUTHORITY TO APPROVE AND RELEASE THE AFFORDABLE HOUSING MANAGED PIPELINE REGULATIONS AND OPEN THE 2021 NOTICE OF FUNDING AVAILABILITY

SUMMARY

The General Manager of the Los Angeles Housing Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority to approve the recommendations contained in this report relative to the release of the 2021 Affordable Housing Managed Pipeline (AHMP) Program Regulations with proposed revisions, and to open the 2021 AHMP Notice of Funding Availability (NOFA) to solicit applications for gap financing and admittance into the AHMP program.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the HCIDLA General Manager, or designee, to adopt and release the 2021 AHMP Program Regulations, detailed in Attachment A;

- B. AUTHORIZE the HCIDLA General Manager, or designee, to implement an allocation schedule that will include the authority to conduct up to two funding rounds of the AHMP Notice of Funding Availability (NOFA). All funding rounds will coincide with applicable funding cycles for federal, state, and/ or local multifamily housing development programs. Applications received will be reviewed by HCIDLA, and recommendations will be submitted to the Mayor and City Council for consideration and approval; and
- C. AUTHORIZE the HCIDLA General Manager, or designee, to solicit AHMP applications for the 2021 AHMP NOFA based on the availability of funds that are currently allocated in the Program Years, 44, 45 and 46 Consolidated Plan and that will be requested in the Program Year 47 Consolidated Plan (FY 2021-22) as well as in the Linkage Fee program and in California SB2 grant funds as summarized in Attachment B.

BACKGROUND

Affordable Housing Managed Pipeline

The City's Affordable Housing Managed Pipeline (AHMP) process was established by the Mayor and City Council in June 2013. The AHMP process authorizes HCIDLA to issue a semi-annual Notice of Funding Availability (NOFA) to enable open competition of new projects to be admitted into the Pipeline on an ongoing basis (C.F. No. 13-0824). One of the most important features of the AHMP is the ability to leverage and attract the investment dollars of other public and private entities for the development of affordable housing within the City. Since 2013, the AHMP has funded approximately \$284.3 million and leveraged approximately \$2.6 billion in public and private funds, which represents a leverage ratio of approximately \$9.14 for every \$1.00 invested by the AHMP. HCIDLA issued its most recent NOFA in February 2018.

HCIDLA continues to manage and ensure that affordable housing developments in the Pipeline are in alignment with available federal, state, and/or local multifamily housing development funding programs and sources. HCIDLA's collaborative, forward-thinking and measured approach has proven successful in securing funding that balances the Pipeline with outside funding availability, leaving no project left without permanent financing.

Consistent with this approach, HCIDLA has analyzed the near-future affordable housing financial landscape and has identified four major sources of funding that Pipeline projects must be aligned to compete for:

HCIDLA Funding Sources: The AHMP is currently funded primarily with the City's annual allocation of HOME funds. Each year the City receives approximately \$19 million in HOME entitlement funds, which are allocated to the AHMP, along with annual program income receipts that vary from year to year. With this round the AHMP will also allocate funds from the Linkage Fee and state funding programs. HCIDLA issues commitments to projects in the AHMP Pipeline subject to funding availability, consistent with the funding guidelines, and when a commitment of City funds is necessary to meet affordability goals and to secure leveraged funding resources.

9% LIHTC City of Los Angeles Geographic Region: The California Tax Credit Allocation Committee (CTCAC) receives an annual allocation of from the U.S. Department of the Treasury. CTCAC then distributes the annual allocation to eligible projects in geographic apportionments

across the state through two funding cycles. In 2021, CTCAC is expected to allocate approximately \$12.2 million in annual adjusted LIHTC to the City of Los Angeles' Geographic Region. Based on current market pricing for LIHTC, this allocation will generate approximately \$114 million in equity to support affordable housing development in the City. CTCAC also allocates approximately 19% of its annual allocation to other set-asides – special needs / homelessness and non-profit sponsored projects - that are separate from the Geographic Apportionments. In 2021, the annual allocation of LIHTC distributed through the set-asides is expected to be \$15.2 million. Although Los Angeles Geographic Region projects do not have to compete with other projects, AHMP Pipeline projects are required to compete for an allocation in the statewide set-asides. The most competitive projects seek the least amount of LIHTC in comparison to their total development costs.

California Strategic Growth Council's Affordable Housing and Sustainable Communities (AHSC) Program: The AHSC Program, commonly referred to as the “Cap and Trade” Program, provides funding through loans and/or grants for projects that will achieve Greenhouse Gas (GHG) emissions reductions. Projects benefit disadvantaged communities by increasing accessibility to housing, employment centers, and key destinations through low-carbon transportation options (walking, biking, and transit), resulting in fewer vehicle miles traveled (VMT). HCIDLA leverages its funding with the AHSC program. The state recently announced the release of the sixth round Notice of Funding Availability of approximately \$400 million for the AHSC program. The deadline to submit AHSC applications is expected to be sometime in June 2021.

Veterans Housing and Homeless Prevention Bond Act of 2014 (Proposition 41): Proceeds from Proposition 41 may be used for the acquisition, construction, rehabilitation, and preservation of affordable multifamily transitional housing, or related facilities, for veterans and their families. Proposition 41 specifically focuses on homeless veterans or those veterans at risk of homelessness. The California Housing and Community Development (HCD) has tentatively indicated an estimated deadline of May 2021 for the upcoming application; however, HCIDLA staff will continue to coordinate application submittals in order to further leverage the HCIDLA funds.

Multifamily Housing Program (MHP): MHP funding provides loans to individuals, public agencies, or private entities, including for-profit, limited profit, or nonprofit. The funds awarded are allocated as permanent financing for affordable multifamily rental and transitional new construction, acquisition, rehabilitation, and conversion housing developments. A Notice of Funding Availability for the MHP was scheduled in January 2021; however, a pause has been established on all state programs in order to coordinate regulations and timelines.

2021 AHMP Program Regulations

HCIDLA published a summary of proposed major changes to the AHMP program regulations on January 27, 2021 and subsequently published draft regulations on February 2, 2021. The announcement detailed an online stakeholders meeting, which was held on February 10, 2021 and was attended by over 180 participants. A public comment period with a deadline of February 16, 2021 was established. By the end of the public comment period, HCIDLA had received over 140 comments, questions, and recommendations. Based on the questions and comments received, HCIDLA made changes and clarifications to the regulations to introduce and implement policies consistent with the City's Affordable Housing priorities. These revisions also ensure the AHMP regulations are consistent with the regulations of other funding sources, and provide direction and guidance to further enhance the AHMP program

regulations and its processes. The major changes are summarized below. The updated AHMP Regulations are included in this transmittal as Attachment A.

Summary of Proposed Major Changes

Threshold Requirements

2.25 Maximum Number of Projects Per Developer – HCIDLA has always imposed a limit to the number of developments any one entity can participate in at any one time in order to reduce financial risk to the City and its funding programs. In the draft regulations, HCIDLA proposed a clarification to the maximum number of developments one entity could participate at any one time by adding the limit will apply throughout all of the HCIDLA funding programs. However, we received several comments which asked for further clarification in two areas. First, the HCIDLA limits the maximum number of projects to seven throughout all of the HCIDLA financing programs. The regulations will be revised to define that the limit applies to HCIDLA direct funding programs, such as HOME, Prop HHH, Linkage fee, SB 2, etc. Projects which do not involve direct HCIDLA funding, such as tax-exempt bonds, or State funds such as AHSC or Infill, will not count towards the maximum limit. Second, the limit includes a sub-set of a maximum of five projects which can be in construction and/or Final Close-Out. Final Close-out is defined as a milestone when all retention to the contractor has been released. HCIDLA’s intent is to reduce risk to HCIDLA’s funds, and once a project finishes construction and reaches occupancy, the risk is subsequently reduced. Therefore, the sub-limit will be revised so that a maximum of five developments can be in construction, up to ready for occupancy, as evidenced by a temporary certificate of occupancy or similar approval. In preparing the draft guidelines, HCIDLA understood some entities would possibly exceed the proposed parameters; therefore, HCIDLA allowed for an entity to initiate one project as part of the next NOFA. Since the HCIDLA NOFA is procuring for two TCAC rounds, one in July 2021 and the next one in March 2022, HCIDLA will revise the regulations to allow an entity to submit for any development that is ready to apply. However, in order to meet the limits, the entity must identify that by the time the application is shown to be ready to apply to TCAC March 2022, they will have proceeded to move current projects to the respective development phases so that the new project will meet the proposed limits.

2.25 Construction Cost Estimating Requirements – One of the most pressing issues in today’s efforts to build more affordable housing is the cost of building affordable housing. In order to address the issue and implement cost containment measures, one method proposed by HCIDLA to address this issue is to require the submittal of a third-party construction cost estimate (certified by the American Society of Professional Estimators) at the time of application. Comments received indicated a concern that certification of the third-party by the American Society of Professional Estimators presents an unreasonably high barrier and that other agencies do not require such a certification. As a result, the regulations will be changed to require a third-party construction cost estimate from a professional estimator or general contractor, without the need for an official certification.

Scoring

The scoring rubric was revised in order to address recent changes in City policies, primarily with regards to the furthering of fair housing and addressing the ever-increasing development costs associated with affordable housing. A revised scoring summary is included as Attachment C.

Section 5.1.1.C Relocation – HCIDLA proposed awarding four points to projects that do not require the permanent relocation of residential tenants. Comments received requested a sliding scale rather than a full

four points. The HCIDLA regulations have always required that any net reduction to the existing number of units is only allowable if it is necessary to improve habitability of the project. Even though the intent is to address the urgency in providing affordable housing in an efficient and timely manner, HCIDLA agrees to revise the points to allow for development of underutilized sites. Additionally, a couple of comments requested awarding full points for projects relocating public housing residents due to the requirements tied to public housing relocation. However, recent State programs, like SB 330 already require owners of certain projects resulting in a loss of existing and in some cases, prior existing housing units, to replace these units on a one-for-one-basis and extends the affordability period of all density bonus projects. Therefore, allowing the exception would unfairly reward those projects. As a result, this section will be revised to a tiered points system.

Section 5.1.2 Leverage of Committed Funds – The comments received focused on two issues. First, several of the comments suggested that HCIDLA revise this category to allow the City funding to be committed first so that developers seeking other funding could be more competitive in their gap funding applications. In the previous set of regulations, points were awarded based on the proposed leveraging sources and were given two years to apply for those sources. Ultimately, some projects were not able to meet that timeline and delays created a backlog of projects, as well as increased holding costs for those same projects. Today, the City faces an emergency and must adopt policies that rapidly address the increasing demand for affordable housing. In order to address readiness and produce affordable housing units in a timelier manner, the proposed regulations award points to projects that already have outside funding sources, so that HCIDLA can prioritize ready-to-start projects and therefore meet the massive and immediate demand for affordable housing. Therefore, HCIDLA will not revert to the previous point category and will keep the current system which award points to committed sources. Second, comments were also received regarding the current regulations’ exclusion of City-owned properties as a committed source. HCIDLA has reviewed the comments and agrees that this should be changed. The revised regulations will allow publicly-owned land to count as committed soft funds. The value that will be counted as soft funds will be determined by an independent appraisal and shall be adjusted by any costs associated with non-housing related requirements, such as replacement parking. Additionally, if the land will be donated as a seller’s note, the terms of the seller’s note shall follow the same terms of other soft financing, as outlined in the published regulations. Finally, one comment suggested excluding short term or “backstop” commitments as acceptable operating subsidies. HCIDLA agrees with this suggestion, given that there are no other funding sources that would replace these commitments other than project-based vouchers from the Housing Authority of the City of Los Angeles (HACLA), which are very limited and highly competitive. Therefore, the HCIDLA will only accept operating subsidies from the HACLA.

5.3.1 Geographic Distribution – The City is committed to promoting the equitable distribution of affordable housing on a citywide basis. In October 2017, the City adopted the Assessment of Fair Housing Plan (AHP) in collaboration with HACLA. Several recommendations were identified in order to meet the first goal, which is to increase the stock of affordable housing throughout the City, particularly in neighborhoods of higher opportunity and access to jobs. One recommendation was to propose a standing policy for a geographic distribution strategy to be included in future NOFAs issued by the City. Another recommendation was to use the City’s Transit Oriented Communities Affordable Housing Incentive (TOC) Program as a tool for also meeting the goal. As a result, in June 2018, the Proposition HHH Loan Program incorporated both recommendations, prioritizing projects located in a Transit Geographic Distribution (which prioritized projects in the highest, high, and moderate opportunity areas), and also used the TOC program to target projects in these areas. The proposed changes to the AHMP regulations will allow points to be awarded for sites located within either or both (the City’s TOC areas and TCAC’s

Opportunity Areas), responding to the City's changing needs by incorporating the recommendations of the City's adopted Assessment of Fair Housing Plan. Still, after consideration of the comments, HCIDLA understands a phased in approach to this geographic targeting is advisable, so the recommended number of points in the first round for this category is 6 points; in subsequent rounds this would increase to 9 points.

5.3.3 Site Efficiency – The change as proposed by HCIDLA would have increased the site efficiency threshold from awarding 5 points to new construction developments with fifty or more total units, to awarding 5 points to new construction developments with sixty or more units. However, several comments received recommended a change to a density calculation, rather than a flat number. After consideration, it was determined a density calculation would make better sense. HCIDLA analyzed a set of recent projects and determined that a change to a density of 100 units per acre would address the intent of the policy, which is to achieve site efficiency and increased economies of scale.

5.3.4 Cost Efficiency – Another measure to address the need to effectively contain costs in building affordable housing was to introduce a new scoring category that will reward developments that include cost containment measures. The language proposed by HCIDLA is to award points to projects whose adjusted total development cost per unit is lower than the average total development cost per unit of the CTCAC City Geographic projects in the last two rounds. Three primary issues were the focus of the comments received: 1) The size of the data considered should be a) revised to use the last set of projects that most recently closed their construction financing, and b) expanded to include recently closed projects from the 4% pipeline; 2) Adjustments to the total development cost should include contributed developer fee, commercial space, costs associated with labor agreements, and all non-residential costs; and, 3) Develop a penalty system for applicants who manipulate the initial cost and ultimately change and increase the cost prior to loan closing. After consideration of all of the comments, HCIDLA proposes the following. First, the data set used to calculate the average total development cost will include *all* developments that executed construction loan closings starting from January 2020 to the date of NOFA application deadline, including both the 9% and 4% structured projects. Second, the calculation of the adjusted total development cost for both the utilized data set and the NOFA applications will include adjustments for commercial space, provided they are costs paid for with private-sector financing and are excluded from the calculation of basis in accordance with CTCAC guidelines. Adjustments will also include the deduction of non-residential costs that are required by a government agency as part of the land disposition terms and other non-zoning related requirements, such as, replacement parking, up to \$40,000 per residential unit. The intent is to reward projects that embrace cost containment measures, such as value engineering, during all phases of the development process, while adjusting cost calculations so that all types of projects can be compared as closely as possible.

5.5 Negative Points– As a response to some of the comments related to the new Cost Efficiency points category regarding penalties for applicants that purposely lower costs at the time of application with the intent to increase after admittance, HCIDLA is revising the Negative Points section. HCIDLA, at the discretion of the General Manager, will impose negative points to general partners, co-developers, management agents, consultants, guarantors, or any member of the Development Team identified in the application. All negative points will be assessed to future applications for two years from the date of the issuance of a letter imposing the respective negative points. First, HCIDLA will impose 20 negative points to developers that apply to the CTCAC 9% program prior to acceptance into the AHMP program for the same project. This assessment of negative points is not new but is revised to lower the penalty from 50 points to 20 points. Second, HCIDLA will impose 2 negative points to the development team whose

project's total development cost (TDC) increases between 11%-15% from the TDC at the time of application to the construction loan closing. Five points will be assessed to the development team whose project's TDC increases above 15% from the TDC at the time of application to the construction loan closing.

5.4 Enhanced Accessibility Program (EAP) – As required by the Voluntary Compliance Agreement entered into by the City and the U.S. Department of Housing & Urban Development in 2019, competitively allocated housing funds must include scoring points for an enhanced accessibility program that gives developments points for including additional hearing, vision, or mobility accessibility features such as power operated doors, touch pad lights, and easily accessible pantry storage. Applicant which elect to participate in the EAP will be awarded a total of 10 points.

Implementation Schedule

HCIDLA will open the NOFA upon Council and Mayor approval. The filing deadline for applications will be 30 days from the open date. HCIDLA will process the NOFA application and report back with the funding recommendations in time to have approved projects by the CTCAC 2021 Round 2 application deadline of July 1, 2021.

Table 1: Implementation Calendar – AHMP NOFA	
Publish Final Regulations- pending City Council/ Mayor Approval	March 26, 2021
Open NOFA Application	April 7, 2021
Tentative NOFA Application Deadline	May 10, 2021
Post List of Applications received	May 14, 2021
Initial Recommendations	June 2021
Appeals	June 2021
Final Recommendations to City Council and Mayor	June 2021

FISCAL IMPACT

There is no impact to the General Fund. The recommendations in this report will authorize HCIDLA to solicit applications to utilize approximately \$59 million from a combination of HUD HOME allocation, federal HOPWA funds, and proceeds from the City's Linkage Fee.

Approved By:



ANN SEWILL
General Manager
Housing+Community Investment Department

ATTACHMENTS:

Attachment A- Regulations
Attachment B and C

DRAFT

**CITY OF LOS ANGELES
HOUSING + COMMUNITY INVESTMENT DEPARTMENT**

**AFFORDABLE HOUSING MANAGED PIPELINE
PROGRAM REGULATIONS, POLICIES, AND PROCEDURES**

NOTICE OF FUNDING AVAILABILITY

DRAFT

March 12, 2021 – DRAFT

**(The contents of this draft version are contingent upon
the final approval by the L.A. City Mayor and City Council)**

AFFORDABLE HOUSING MANAGED PIPELINE REGULATIONS

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EXHIBIT LIST

Exh_01 – HCIDLA Architectural Guidelines

Exh_02 – Planning Department CEQA Process

Exh_03 – HUD Section 3 Requirements

Exh_04 – Instruction for Completing Property Management Plan

Exh_05 – Guidance on CHDOs

Exh_06 – TOC Guidelines

Exh_07 – HCIDLA Land Use Fee Schedule

Exh_08 – Enhanced Accessibility Program

Exh_09 – Pet Policy

Note: For Threshold Document Checklist, see page 81

AFFORDABLE HOUSING MANAGED PIPELINE REGULATIONS

INTRODUCTION

The City's goal, through the Affordable Housing Managed Pipeline (AHMP), is to create housing for low and very-low income households within the City. The purpose of these Affordable Housing Managed Pipeline Regulations, Policies, and Procedures (AHMP 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 AHMP 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 AHMP Regulations are intended to support the policies of the 9% Low Income Housing Tax Credit (LIHTC Pipeline Management Plan, as revised).

Questions and Technical Assistance

All questions (including those regarding the AHMP Regulations, or the online system) must be submitted via the “Ask a Question/FAQ” function of the online NOTICE OF FUNDING AVAILABILITY 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

NOTICE OF FUNDING AVAILABILITY ONLINE APPLICATION

The deadline to submit applications is 11:59 p.m., on [May 3, 2021](#).

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 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 Notice of Funding Availability Notice of Funding Availability 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 MANAGED PIPELINE
2017 HCIDLA REGULATIONS TIMELINE**

DESCRIPTION	Tentative Date*
HCIDLA Regulations posted	<u>March 24, 2021</u>
Open Notice of Funding Availability	<u>April 2, 2021</u>
Notice of Funding Availability Bidders' Conference	<u>TBA</u>
Notice of Funding Availability applications due by 11:59 p.m.	<u>May 3, 2021</u>
Self scores published	<u>May 10, 2021</u>
Appeals Process	<u>June 2021</u>
Final Scores and <u>AHMP</u> Transmittal Released to Mayor's Office	<u>June 2021</u>

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

**SECTION 1
GENERAL PROVISIONS**

Through this Notice of Funding Availability Notice of Funding Availability and the AHMP’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 the rehabilitation, construction and preservation of multi-family rental housing to address the needs of low and very-low income households with its public funds and access to Low Income Housing Tax Credits (LIHTC).

1.1 Funds Available and AHMP Master Calendar

On a biannual basis, and as contained in the 9% LIHTC Pipeline Management Plan, the HCIDLA will make public a forecast of the estimated AHMP revenue available. The amount available for allocation will be determined by federal, State and/or local funding availability. Notice of Funding Availability Notice of Funding Availability Rounds will be released according to the AHMP Master Calendar as follows:

2021 Affordable Housing Managed Pipeline Master Calendar

<u>AHMP Year</u>	<u>Type of Deadline</u>	<u>CTCAC Application Year</u>
<u>CY 2021</u>		
<u>Jan 2021</u>	Publish Draft HCIDLA Regulations	<u>2021-22</u>
<u>Jan 2021</u>	Public Comment Period	<u>2021-22</u>
<u>Apr 2021</u>	Council Approval of Regulations (applies to 1 st and 2 nd CFP)	<u>2021-22</u>
<u>Apr 2021</u>	1 st Notice of Funding Availability Notice of Funding Availability Opens	<u>2021-22</u>
<u>May 2021</u>	1 st Notice of Funding Availability Notice of Funding Availability – Application Deadline	<u>2021-22</u>
<u>June 2021</u>	1 st Notice of Funding Availability Notice of Funding Availability Approval	<u>2021-22</u>
<u>TBA</u>	2 nd Notice of Funding Availability Notice of Funding Availability Opens	<u>2021-22</u>
<u>TBA</u>	2 st Notice of Funding Availability Notice of Funding Availability – Application Deadline	<u>2021-22</u>
<u>TBA</u>	2 nd Notice of Funding Availability Notice of Funding Availability - Approval	<u>2021-22</u>

1.2 Housing Type

Also on a biannual basis, and as contained in the 9% LIHTC Pipeline Management Plan, 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 Pipeline.

Projects submitted under the 9% LIHTC Pipeline Management Plan and its Notice of Funding Availability Notice of Funding Availability and administered through these AHMP Regulations shall 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 AHMP 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 Funding Awards and Admittance Terms

Successful applicants under the Notice of Funding Availability Notice of Funding Availability will be tentatively assigned a tax credit round under which to apply and will 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 AHMP Funds are available, funding awards will be issued by HCIDLA prior to a 9% CTCAC Funding Round for which a project has been queued to apply for a tax credit allocation, or prior to a CDLAC Application.

For projects admitted to the Pipeline after January 2018, the AHMP admittance term shall be valid for up to 12 months. If the project is unsuccessful in obtaining a funding commitment for the proposed leverage funding due to circumstances beyond the developer's control, the AHMP term may be extended for up to 12 additional months. If the project becomes infeasible due to threshold non-compliance, it will be removed from the Pipeline, however, no negative points will be incurred. For projects admitted to the Pipeline prior to December 2017, the AHMP admittance term shall expire after March 31, 2019, allowing these projects to apply to the proposed leveraging source at least two times. If unsuccessful in obtaining a funding commitment for the leveraging source by the deadline, the project will be deemed infeasible and will be removed from the Pipeline.

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 AHMP 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 AHMP.

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 funds~~ **HOME Funds** 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 and/or State HCD AMI; ~~Income targeting must occur across all proposed unit types;~~
- **A 9%-Low Income Housing Tax Credit (LIHTC) project that includes Low-Income Units targeted at greater than 60% of AMI shall have an average targeting that does not exceed 50% of AMI based on CTCAC's most recent guidelines for the calculation of average targeting;**
- **A 4%-LIHTC project that includes Low-Income Units targeted at greater than 60% of AMI shall have an average targeting that does not exceed 60% of AMI based on CTCAC's most recent guidelines for the calculation of average targeting;**
- **For units that are targeted at greater than 60% but not greater than 80% of AMI, HCIDLA may use Linkage Fee or other non-federal funds, subject to availability;**
- **In all cases, income targeting must be prorated based on unit mix.**
- In addition to complying with the HUD HOME rents, CRA-HCD rents, or more restrictive affordability standards, 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 by a market study as required in Section 2.12.1 of these AHMP Regulations.

- Units must also comply with the affordability requirements of the applicant’s identified leveraging source. Applicants should apply the most restrictive rent levels depending on the individual funding sources.

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 Los Angeles County services. At least fifty percent (50%) of the units within the project must contain 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. “Chronically homeless” is defined as follows:

- (a) Experiencing chronic homelessness as defined in 24 CFR 578.3;
- (b) Residing in a transitional housing project that will be eliminated and meets the definition of chronically homeless in effect at the time in which the individual or family entered the transitional housing project;
- (c) Residing in a place not meant for human habitation, emergency shelter, or safe haven; but the individuals or families experiencing chronic homelessness as defined in 24 CFR 578.3 had been admitted and enrolled in a permanent housing project within the last year and were unable to maintain a housing placement;
- (d) Residing in transitional housing funded by a Joint Transitional Housing and Permanent Housing Rapid Re-Housing component project and who were experiencing chronic homelessness as defined in 24 CFR 578.3 prior to entering the project;

(e) Residing and has resided in a place not meant for human habitation, a safe haven, or emergency shelter for at least 12 months in the last three years, but has not done so on four separate occasions; or

(f) Receiving assistance through the Department of Veterans Affairs (VA)-funded homeless assistance programs and met one of the above criteria at intake to the VA's homeless assistance system.

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 AHMP Regulations. Projects must also 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.

All units must have kitchen facilities which at the minimum, shall include a refrigerator, kitchen sink, stovetop, and storage cabinet and a full bathroom, which at the minimum, shall include a lavatory, toilet, and shower.

Applicants seeking to include units with two or more bedrooms in their Permanent Supportive Housing project/s shall submit a written evidence issued by the Los Angeles Homeless Services Agency (LAHSA) that they can provide a sufficient number of referrals through the Family Coordinated Entry System for the Service Planning Area in which the project is located to reasonably fill those units within nine (9) months of completion (Attachment 2.15). Inquiries may be directed to Rhett Lesslie in the LAHSA Programs Department at: rlesslie@lahsa.org.

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 AHMP 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. AHMP 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 AHMP 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 AHMP awards for the sole or partial purpose of repayment of a current City or non-City residual receipts or “soft” loan;

- Reapplying for AHMP awards for the same proposed project using another source of leveraging while an AHMP 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 using City funds (i.e. HOME, CDBG, CRA/LA or HOPWA Funds).

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 replacement units in accordance with the State Assembly Bill # 2556 and 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 AHMP Regulations.

The HCIDLA's Land Use Unit can be reached at (213) 808-8843.

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** - During the period of construction, accrued interest shall be calculated from the date of the first disbursement of the HCIDLA loan proceeds until the date of the project's date of completion which is defined here as the date indicated in the project's Certificate of Occupancy ("Construction Period Accrued Interest"). This Construction Period Accrued Interest shall be due and payable to HCIDLA ~~sixty (60) days after the date of project completion but~~ no later than the project's permanent loan conversion. For rehabilitation projects, the date of completion shall be the same date as the recordation date of Notice of Completion. Thereafter, payment shall be made from annual residual receipts, beginning the First Payment Date and each year thereafter through the term of the loan. After project completion, accrued interest will shall be deferred. Principal and interest shall be 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). However, if a project proposes any funding administered by HCD, then the term shall be fifty-seven (57) years. 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 and 100% occupancy of accessible units by tenants who need the features of those units;
 - 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 accrued construction period interest on HCIDLA's Acquisition-Predevelopment/Construction Loan that shall have accrued during construction period (applicable to projects that will be included in the Pipeline beginning 2015 and thereafter).
 - HCIDLA's acceptance of a Final Accessibility Report from a State-Certified Access Specialist Program consultant (CASp);
 - Verification of Compliance for the Development has been issued by the Neutral Accessibility Consultant (NAC);
 - HCIDLA's receipt of the draft cost certification prepared by an independent Certified Public Accountant or accounting firm, under generally accepted auditing standards.

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 notice, with proof of delivery, must be delivered to HCIDLA for all tenants that were listed in the Relocation Tenant Rent Roll as of the date of the project's NOFA application.

1.10.7.1 Leasing Preference - Permanent Supportive Projects

For AHMP-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. This 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 Los Angeles Homeless Services Authority (LAHSA), Los Angeles County departments of Health Services (DHS) and of Mental Health (DMH) have developed the Coordinated Entry Systems (CES) to ensure that high acuity chronically homeless persons are prioritized for housing. In units designated for homeless individuals, projects shall use CES or similar systems to preference vulnerable population. 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 AHMP 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

Upon an Event of Default, HCIDLA is entitled to its equity share upon the sale of the property. HCIDLA shall be entitled to a share in any appreciation that has occurred between the acquisition and the time of the sale. HCIDLA's share in the appreciation will be equal to the proportion of the HCIDLA loan funds used in the purchase of the property or the amount of HCIDLA loan funds used to repay an acquisition bridge loan. This section shall apply until construction has been completed and a Notice of Completion has been issued.

1.10.10 Repayment

Acquisition/Pre-Development and Construction Loans – For projects that are included in the 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 Pipeline on or after 2015, during the period of construction, interest shall be accrued from the date of the first disbursement of HCIDLA loan proceeds until the end of construction, and shall be due sixty (60) days after the date of project completion but no later than permanent loan conversion. For new construction projects, the date of project completion shall be the same date as the issuance date of Certificate of Occupancy. For rehabilitation projects, the date of completion shall be the same date as the recordation date of Notice of Completion. Thereafter, payment shall be made from annual residual receipts, beginning the First Payment Date and each year thereafter through the term of the loan. After project completion, accrued interest will shall be deferred. Principal and interest shall be due at maturity of the loan.

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~~ accrual basis; (2) debt service on senior project debt; (3) payments to the operating reserve fund; (4) payments to the replacement reserve fund; (5) actual deposits to the supportive services reserve fund; (6) repayment of General Partner Operating loan/s ~~general partner loans~~; (7) payment of deferred developer fees excluding any interest; and (8) payment of related party/third party fee up to fifteen thousand dollars (\$15,000) for projects that are included in the Pipeline prior to January 31, 2016; and twenty five thousand dollars (\$25,000) for projects that are admitted into the Pipeline on or after January 31, 2016.* HCIDLA does not allow any other fees to be deducted prior to payment of residual receipts to the HCIDLA.

** For projects that are included in the Pipeline prior to January 31, 2016, the maximum allowable pre-approved related party/third party fee is up to fifteen thousand dollars (\$15,000) with no annual increase. For projects that are admitted into the Pipeline on or after January 31, 2016, the maximum allowable*

pre-approved related party/third party fee is up to Twenty-five thousand dollars (\$25,000), with an increase of 3.5% compounded annually. 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, HCD, 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:

- 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;
- Failure to pay property taxes that are associated with the project;
- Bankruptcy;
- Dissolution or insolvency of the ownership entity;
- Failure to adhere to construction cost limits as stated in Section 3.7 of AHMP 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 AHMP 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, on the condition that: 1) 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, 2) 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) Letter

Applicants are highly encouraged to contact Brittany Batong of the HCIDLA Housing Development Bureau prior to the NOFA application deadline, to confirm for their project the availability of an Article 34 Authority in a Council District wherein the project is located. Brittany Batong’s contact information is written below:

Los Angeles Housing + Community Investment Department
Housing Development Bureau
Attention: Brittany Batong
1200 W. 7 th Street, 8th Floor
Los Angeles, CA 90017
Telephone: (213) 922-9627
Email: Brittany.Batong@LACity.org

Also, HCIDLA will issue an Article 34 letter for projects that are admitted into the AHMP whenever the Department receives a request from its project sponsor for such a letter. Prior to a TCAC deadline during the “Readiness” stage, HCIDLA will also issue this letter and including the relevant approval forms that are required in a TCAC application funding round.

~~All projects, both new construction and rehabilitation, must be in compliance with Article XXXIV (or Article 34) of the California State Constitution. While evidence of compliance is not required at the time of Notice of Funding Availability application, it is required at Project Readiness pursuant of Section 7.16 of the Regulations.~~

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 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 HCIDLA reserves the right to disapprove any commercial space tenants that will use the project's commercial space for any trade or business consisting of any operation that caters exclusively to adults, which may lead to tenants' problems concerning safety and welfare. Such businesses include but are not limited to massage parlors, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store, of which its principal business is the sale of alcoholic beverages for consumption off premises, etc.

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 the purposes of closing HCIDLA loans in 9% and 4% LIHTC projects, as a condition of loan closing, if no AHMP Funds are disbursed for acquisition, the HCIDLA, will accept a "Ready-To-Issue" letter issued by the Los Angeles Department of Building and Safety in-lieu of a building permit. However, if HCIDLA funds are disbursed for acquisition at escrow closing, then HCIDLA will require a building permit at HCIDLA loan closing.

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

1.18 Standardized Pet Policy for projects within Los Angeles County

Ordinance No. 186228 (Ordinance) is a City of Los Angeles ordinance adding Article 17 to Chapter IV of the Los Angeles Municipal Code and is entitled "Pet Ownership in Publicly-Financed Housing Developments", authorizes tenants of new or rehabilitated multifamily housing financed, in whole or in part, by the City of Los Angeles on or after

the effective date of the Ordinance, to have at least one pet in a rental unit consistent with applicable Federal and State Laws.

The Ordinance, defines a “Pet” as a common household domesticated animal such as a dog, cat, rabbit, bird, mouse, rat or similar small rodent, fish or turtle that is kept in the home for pleasure rather than for commercial purposes. “Pet” shall not include any equine (including any horse, pony, donkey, burro or mule), swine, sheep, goat, cattle, poultry or other similar livestock, and shall not be kept in an affordable housing unit for commercial purposes. If this definition conflicts with any applicable state law or regulation defining the pets that may be owned or kept in residential dwellings, the state law or regulation shall apply. Specific AHMP policies and guidelines for this Ordinance are outlined in Exhibit 09.

The Ordinance requires landlords to maintain and provide a copy of pet policies to tenants. A Project’s pet policies shall include all mandatorily required policies and may also include discretionary guidelines designated by the owner or operator and specific to each Project. Mandatory and allowable discretionary policies are outlined in Exhibit 09.

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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 Notice of Funding Availability 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 AHMP. 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 Notice of Funding Availability application, applicants must upload **one (1) electronic version of a completed application (excluding attachments) for the proposed leveraging source; no hard copies shall be accepted.** The specific documents required are listed below:

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

- A most recent, published, “9% Competitive Tax Credit Application form” in MS Excel is required (Attachment 2.1-1);

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

- A most recent, published, “4% Tax Credit Application form” in MS Excel is required (Attachment 2.1-2);

In addition to the 9% or 4% LIHTC Application, if the applicant/developer will be applying for State AHSC Funds, a completed supplemental AHSC workbook is required (Attachment 2.1-3).

Regardless of the type of leveraging source, the following information that is consistent with the financial proforma, must be included 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 Notice of Funding Availability 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 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, which is prepared within ninety (90) days from the application deadline.

A proof of site control must be submitted at the time of application. The site control must be demonstrated for a minimum of sixty (60) days post application deadline.

The 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 executed Exclusive Negotiation Agreement with a public agency is acceptable at application. Prior to consideration for inclusion in HCIDLA's funding recommendation, a fully executed Disposition and Development Agreement (DDA) with that agency shall be required by HCIDLA. The sole public agency that applicants are not required to receive a DDA from is the Los Angeles County Metropolitan Transportation Agency.

The relative agreement must be (1) executed by both parties, including the principal of the developer and (2) provide site control for at least sixty (60) days beginning from the deadline for submission of the Notice of Funding Availability application; the sixty (60) days can include all extensions provided in the agreement. In the event that City Council and Mayoral approval takes longer than sixty (60) days, the City will require confirmation of continuing site control prior to taking the project to City Council.

If an original Purchase and Sale Agreement that is submitted with the application has a term that is shorter than sixty (60) days, HCIDLA will accept this document only if it contains a provision that allows for an extension of the escrow. During the NOFA review period, in order for their application to move to the next phase of the underwriting, project sponsors shall be responsible in notifying HCID if they 1) have secured the extension of the escrow, or 2) have purchased the property, or 3) wish to withdraw the application. After notifying HCIDLA, project sponsors shall submit proof that the escrow has been extended or that the property has been purchased.

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 Pipeline in less than 180 days from the deadline for submission of the Notice of Funding Availability application. Applicants must be aware that sufficient “site control” shall be required by HCIDLA at the time of CTCAC application.

2.2.2 Proof of Voluntary Acquisition

Voluntary Acquisition Letters (Attachment_2.2.2) must be submitted at the time of Notice of Funding Availability application.

AHMP 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.

If the site control for a proposed project is a long-term lease of at least 50 years with a public agency, then a Voluntary Acquisition Letter is required from that public agency at NOFA application, in accordance with HUD’s Uniform Relocation Act.

Regardless of whether relocation is involved, documentation regarding the voluntary acquisition of the property must be submitted as part of the AHMP 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 Notice of Funding Availability 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 Notice of Funding Availability. Applications can be re-submitted in a future Notice of Funding Availability.

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 AHMP Regulations, the term “as soon as feasible” is defined as the date that the applicant filed the application for the Notice of Funding Availability. It is therefore required that copies of the General Information Notices sent to each of the tenants residing at the project site, along with proof/s that the notices were received by the intended recipients, be submitted with the Notice of Funding Availability application. 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 Notice of Funding Availability 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 Notice of Funding Availability or the chosen leveraging source(s), all GINs must be rescinded.

2.3 Meeting Cost Parameters

Project development costs shall be reasonable as measured by the project’s Total Eligible Basis to its Total Adjusted Threshold Basis Limits, pursuant to the most current CTCAC regulations. A project shall be designated “high cost” if its Total Eligible Basis exceeds its Total Threshold Basis Limits by 30%. Applications that are designated as “high cost” shall be rejected and will not be considered for further review during the current Notice of Funding Availability.

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 criterion will be automatically rejected and will not be considered for further review during the current Notice of Funding Availability. ~~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.~~ Maximum subsidy may only be calculated for those eligible units in accordance with Section 1.5 of these regulations. Any manager/s unit is excluded from this calculation. The maximum HCIDLA loan available to any one project is the lesser of \$14 million or 50% of the Total Development Costs of the project based on final costs at the time of loan closing. 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, 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.

	Maximum HCIDLA Subsidy		
	9% LIHTC Senior, or Large-Family Projects, or non-LIHTC	9% LIHTC Supportive Housing/Special Needs Projects, or Extremely Low-Income Units *	4% LIHTC + Tax-Exempt Bond Projects
0 bedroom	\$87,843	\$105,000	\$140,000
1 bedroom	\$96,978	\$112,875	\$140,000
2 bedroom	\$107,478	\$120,750	\$140,000
3+ bedroom	\$112,728	\$126,800	\$140,000

*Note: * These subsidy limits are applicable only to units that are above the minimum CTCAC 10% ELI, also see Section 5.3.2 on incentivized ELI units.*

In no case shall the HCIDLA maximum subsidy exceed the most recent maximum per-unit subsidy limits under the HOME Program published by HUD. Supportive Housing/Special Needs subsidy is applied on a per-unit basis, not on a per-bed basis.

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 Notice of Funding Availability 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 Notice of Funding

Availability 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 criterion. Applications not meeting this criterion will be automatically rejected and will not be considered for further review during the current Notice of Funding Availability. 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 Number of Projects Per Developer**

In order to (1) expand and maintain developer capacity, (2) maximize product and developer diversity and (3) minimize developer concentration risk, HCIDLA 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. ~~Only 9% LIHTC projects that are not requesting for City administered funds, or projects that are financed through the Tax Exempt Bonds/4% LIHTC that are not requesting for City administered funds, are not subject to this maximum projects cap.~~

The maximum number of developments one entity, or its subsidiary(ies) can be in the AHMP Pipeline at any one time is seven (7); of which a maximum of four (4) can be in pre-construction and a maximum of five (5) can be in construction and/or processing Final Close-Out. This limit applies to developments that are directly funded with resources from the HCIDLA programs, e.g. funds from HOME, Prop HHH, Linkage fee, SB 2, etc. Developments which do not involve direct HCIDLA funding, such as tax-exempt bonds, or State funds such as AHSC or Infill, will not count towards the maximum limit.

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 “Ready-for-Occupancy”. “Ready-for Occupancy” shall be defined as a milestone as evidenced by the Temporary Certificate of Occupancy or similar approval. Final Close-out is defined as a milestone when all retention to the contractor (from City funds and/or other funds) is released.

Applications not meeting this criterion will be automatically rejected and will not be considered for further review during the current Notice of Funding Availability. Applications can be re-submitted in a future Notice of Funding Availability. 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.

In recognition that the projects with direct funding from HCIDLA Programs are subject to this maximum projects cap, HCIDLA will allow an entity to submit for any development that is ready to apply; provided however, that the entity is able to identify and show to HCIDLA's satisfaction that the entity will have proceeded to move forward one or more of its projects that are covered under the cap, through the projects' respective development phases, by the time the new development achieves "Readiness" and is queued to apply to TCAC in March 2022, so that the entity will still meet the maximum projects cap even with the addition of new project/s to its participation count.

~~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, Accessible Housing Program, and Rent Stabilization Divisions

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

Applicants will be allowed to pass threshold if they demonstrate that they have corrected all Occupancy Monitoring deficiencies, e.g., 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 criterion will be automatically rejected and will not be considered for further review during the current Notice of Funding Availability.

2.6.1.3 Compliance with Accessible Housing Program

Covered Housing Projects of the Accessible Housing Program that are owned by the applicants, the applicants' partners, or in which the

applicants' principals have a vested interest must be in certified or substantial compliance with the Accessible Housing Program.

Applications not meeting this criterion will be automatically rejected and will not be considered for further review during the current Notice of Funding Availability.

2.6.1.4 List of Properties

Applicants shall submit with the Notice of Funding Availability application, a list of 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 corrected. If deficiencies are not resolved, the application will be denied for failure to meet threshold criteria.

2.7 Intentionally Left Blank

2.8 Minimum Level of Equity

The minimum level of equity in the financing structure of all housing developments shall be 20% of the project's Total Development Costs, of which half (i.e., 10% of the Total Development Costs) may be in the form of a contributed land value.

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 AHMP Regulations.

The following documents must be submitted at the time of Notice of Funding Availability application:

1. An organizational chart of the proposed ownership structure;
2. See Attachment_2.6.1.3_List of Properties;
3. List of Entities and Names of Partners;
4. HCIDLA Credit Check Authorization;
5. List of Board of Directors dated and executed within 90 days prior to the application;
6. See Attachment_2.5_Applicant's/Borrower's Certification Statement;
7. Board Resolution or Evidence of Consent from Majority Partnership Interest.

Applicants shall submit with the Notice of Funding Availability application, a list of all residential income properties that are owned by the applicant/developer/s, and or/general partner/s and shall submit this list under Section 2.6.1.3.

For the purposes of the Notice of Funding Availability application submittal, the Board Resolution shall be executed within ninety (90) days prior to the application deadline, and

shall indicate the date of execution. The Board Resolution, at a minimum, shall contain the following language:

- a. Authorization to participate in the Notice of Funding Availability;
- 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 AHMP 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 Notice of Funding Availability 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 and a debt coverage ratio as described in Section 10327(g)(6) of the most recent CTCAC Regulations. Projects must use the respective underwriting criteria required by the identified leveraging source, in combination with HCIDLA guidelines detailed in Part 3 of these AHMP Regulations. **Financial Proformas must be submitted** with the application as Attachment 2.1 per Section 2.1 of the regulations, using the CTCAC Application workbook that is in **Excel format. Scanned copies (or PDF) shall not be accepted.**

2.12 Reports

2.12.1 Appraisals

All applicants shall provide an “as-is” appraisal with a date of value that is within 180 days before or after the execution of a purchase contract of the transfer of ownership by all the parties, or within one year of the application date if the latest purchase contract was executed within that year. Appraisals shall be prepared by a California certified general appraiser having no identity of interest with the

development partner (s) or intended partner or general contractor. “As-is” appraised value means the estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. HCIDLA shall not accept a property valuation based on “highest and best use” or “as-built” appraisal. The appraisal must also meet the Uniform Relocation Act definition of an appraisal. Additional appraisal requirements are listed in the regulations, which at a minimum shall follow the LIHTC regulations.

HCIDLA will also accept government-procured appraisal reports that are utilized to determine the purchase price in an Exclusive Negotiation Agreement (ENA), Joint Development Agreement (JDA), Disposition and Development Agreement (DDA), or a ground lease payment in a Ground Lease. In such cases, HCIDLA will accept a disclaimer that the purchase price or lease payment is subject to a future appraisal. However, if the project’s development budget at construction loan closing reflects a different purchase price as compared to the price at application, before it can move forward with the loan closing, HCIDLA will require an explanation of purchase price differential. If there is an increase in the purchase price, HCIDLA, will also require an explanation on how the price increase will be financed with other non-HCIDLA funds.

For rehabilitation projects, the value of the land and improvements shall be underwritten using the lesser amount of the purchase price or the “as is” appraised value of the subject property and its existing improvements without consideration of the future use of the property as rent restricted housing except if the property has exiting long term rent restrictions that affect the as-is value of the property. The land value shall be based upon an “as if vacant” value.

The site value is to be estimated without considering any additional value that may be attributable to any low income housing tax credits or other tax benefits the project will receive. All relevant and reliable approaches to value are to be used. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser’s opinion of value. A description of comparable sales shall include all relevant physical, legal, and economic factors such as parties to the transaction, source and method. The appraisal may not determine property value based solely on sales comparable of properties financed by public agencies.

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 Notice of Funding Availability 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 1527-13, 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.

If submittal of soils report will be deferred pursuant to Section 2.23 of these regulations, the Environmental Assessment must indicate if the site falls within an area of the City that requires special investigations or analysis on LIQUEFACTION, EARTHQUAKE-INDUCED LANDSLIDE, AND FAULT-RUPTURE HAZARD. Those areas are as follows:

1. State Mapped Zones requiring Liquefaction and Landslide investigation/mitigation per the Seismic Hazard Mapping Act, State of California Public Resources Code, Section 2690 et seq;
2. Alquist-Priolo Earthquake Fault Zones per the State of California Public Resources Code, Section 2620 et seq, and City of Los Angeles PFRSA.

All of the zones or areas listed above may be viewed at the following website:
<http://navigatela.lacity.org/navigatela/>

If the Phase I and/or Phase II reports were completed, but the completion date is more than six months prior to the application date, a technical memorandum from an independent consultant is required confirming that the findings and conditions as indicated in the report are still the same. The original reports including the memorandum are required at the application submittal.

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 and/or asbestos assessment report indicating that the presence of lead and/or asbestos is/are assumed and the appropriate federal, state, and local lead and/or asbestos 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 an 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 Section 10.41 - Slavery Disclosure Ordinance 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 Notice of Funding Availability application, a completed Affordable Housing Entitlement Self-Certification form is required (Attachment 2.14). The Density Calculation section in Item 4A and B, on page 2 and 3 of this form states that when calculating the Base Density by-right per Zoning Code 12.22A25, applicants shall round down. In addition, when calculating the Maximum Allowable Density Bonus Units and Restricted Affordable Units, applicant shall round up. The Density Bonus and Restricted Affordable units are calculated from the Base Density number.

Applicants proposing to avail of the Transit Oriented Communities (TOC) Affordable Housing Incentive Program for entitlement incentives (e.g. residential density, floor area ratio, parking, etc.) shall submit, in addition to the Affordable Housing Entitlement Self-Certification form, a completed form under Att 2.14(2) using a template provided from the on-line application webpage. Applicants who are not availing of incentives from the TOC are not required to submit a completed form.

2.15 Letter from LAHSA pertaining to Family CES

Applicants seeking to include units with two or more bedrooms in their Permanent Supportive Housing project/s shall submit a written evidence issued by the Los Angeles Homeless Services Agency (LAHSA) that they can provide a sufficient number of referrals through the Family Coordinated Entry System (CES) for the Service Planning Area in which the project is located to reasonably fill those units within nine (9) months of completion (Attachment 2.15). Inquiries may be directed to Rhett Lesslie in the LAHSA Programs Department at: rlesslie@lahsa.org.

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 Notice of Funding Availability application deadline (Attachment 2.17).

Proposed affordable housing developments must score a minimum of ~~thirty-five (35)~~ **thirty-five (35)** ~~forty (40)~~ Competitive Criteria points under the AHMP Regulations Scoring Criteria, in order to be considered into the Pipeline (Attachment_2.17).

2.18 Lowest Income of CTCAC Application, Points System Tab - Section E – 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 only one financing structure, 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 Pipeline.

2.20 Relocation

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

Demolition and replacement of single room occupancy (SRO) Residential Hotel units will be permitted if 1) the project is economically non-viable, physically obsolete or severely distressed and 2) after consultation with residents, where an owner is transferring all of a rental assistance contract under a Rental Assistance Demonstration (RAD) Use Agreement or similar government-sanctioned or court ordered program, provided that a nonprofit entity retains ownership or control of the units to preserve their long-term renewable use and affordability restrictions; At minimum, a project to which assistance is transferred must provide an equal or greater number of decent and safe affordable units with complete private kitchen and bath facilities. Fifty percent (50%) of those units must provide permanent supportive housing with no net loss of units.

If the proposed site is occupied, a tenant displacement assessment must be conducted before submitting a funding application. This written assessment and a Relocation Plan must be submitted during NOFA application.

The Relocation Project Summary Assessment form (Attachment 2.20.4) must be valid and within six months of the application deadline. In addition, a copy of the relocation consultant’s proposed or executed service agreement or contract, 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 (housing assistance payment, moving expenses, and other allowable expenses);
- Identification of the number of households or businesses to be displaced;
- A current rent roll as of the date of the project's NOFA application;
- Samples 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 in conformance with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (**Uniform Act**), other HUD requirements including **Section 104(d)** of the Housing and Community Development Act, and/or California Code of Regulations (CCR), Title 25, Section 6038.

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) and/or Title 1, Division 7, Chapter 16 of the Government Code, commencing at Section 7260, and Subchapter 1 of Chapter 6 of Title 25 of the California Code of Regulations, commencing at Section 6000, 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 AHMP Regulations can only reimburse relocation costs that are supportable by URA and Section 104(d) Regulations.

A completed Relocation Tenant Rent Roll as of the date of the project's NOFA application (Attachment 2.20) must also be submitted for HCIDLA's review.

2.21 Intentionally left blank Transit Oriented Developments (TOD)

~~Transit Oriented Development (TOD) areas are Transit Oriented Communities Areas (TOC) pursuant to the most recent Los Angeles City Planning Department's Transit Oriented Communities Affordable Housing Incentive Program Guidelines (Exhibit 06). Qualified TOD projects shall be located no further than one-half (1/2) mile radius (2,640 feet) around a Major Transit Stop. A Major Transit Stop is a location containing a rail station or the intersection of two or more bus routes with a service interval of 15 minutes or less during morning and afternoon peak commute periods. The stations or bus routes may be existing, under construction or included in the most recent Southern California Association of Governments Regional Transportation Plan.~~

~~If the proposed development is located within a TOD area, as described above, then the following documents need to be submitted at Notice of Funding Availability application deadline:~~

- ~~• TOD Labeled Map (Attachment 2.21.1);~~
- ~~• Sealed Distance Map and Parcel Map (Attachment 2.21.2);~~
- ~~• Heavy and Light Rail Train, bus schedules (Attachment 2.21.3).~~

~~In addition, applicants shall indicate in the Notice of Funding Availability 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 not within a TOD area, 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 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, Special Needs Set-Aside, or “At-Risk” Set-Aside, shall use an amount of AHMP 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 relative to the CFP application deadline.

2.23 Soils Report

All new construction projects must submit a soils report completed within the past twenty-four (24) months of the Notice of Funding Availability 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 items below:

1. Description of the field exploration and laboratory tests performed;
2. Evaluation of soil liquefaction potential;
3. Conclusions and recommendations relating to construction of the proposed residential development, based upon the analyses of data from exploration and testing programs;
4. Knowledge of the general and site-specific characteristics of the subsurface soils.

The liquefaction potential analysis shall be based on the maximum historic groundwater level in accordance with CGS Special Publication 117, the SCEC Recommended Procedures, and LAMC 91.1804.5. Seismically induced total and differential settlements and lateral spreading shall be evaluated and reported.

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).

Alternatively, project sponsors may submit in lieu of a soils report, an affidavit signed by all general partners’ authorized representative stating that:

- 1) The general partners acknowledge that the NEPA Clearance will not be issued within ninety (90) days of the project's admittance into the Pipeline; and,
- 2) The soils report will be submitted to HCIDLA ninety (90) days prior to the CTCAC application deadline.

2.24 Self-certification for Compliance to Access Standards

All applicants/developers shall complete and submit a signed Access Compliance Certification Form (CFC) with the Notice of Funding Availability 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. The CFC certifies that, of the total number of units in each project, four percent (4%) of the total number of units in each development shall be accessible to persons with sensory impairments and eleven percent (11%) shall be accessible to persons with mobility impairments. During loan closings where new regulations for California Debt Limit Allocation Committee (CDLAC) / California Tax Credit Allocation Committee (CTCAC) require an increase the number of required units, then projects that are admitted into the AHMP and/or funded by HCIDLA shall meet the most restrictive requirement in building the project.

2.25 Construction Cost Estimating Requirements

All construction cost estimates shall be prepared by an independent third-party construction cost estimating firm or a third-party licensed general contractor, who shall verify and attest that the project's scope and construction costs are within the appropriate budget. All applicants to the NOFA shall submit a certification attesting to the accuracy of the construction cost estimate of the project. This certification shall be signed by the same independent third-party construction cost estimating firm or a third-party licensed general contractor as mentioned above. For guidelines on the maximum amount of General Contractor Overhead, Profit, and General Conditions, see Section 3.7.7.1 of these regulations.

SECTION 3
UNDERWRITING, COST AND PRICING GUIDELINES

3.1 Replacement Reserve

A minimum replacement reserve of three hundred dollars (\$300) per unit, per year, shall be set for all unit types, except senior units, which will be set at two hundred fifty dollars (\$250) per unit, per year. However, if CTCAC, HCD or HUD should adopt AHMP 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 application submittal, and at AHMP loan closing. The actual operating reserve account must be established and fully funded within 120 days of completion of construction. However, if CTCAC, HCD or HUD should adopt AHMP 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 Reserve Fund and Supportive Services Coordination and Case Management

Case management must include outreach and engagement with tenants. Based on best practices of the Los Angeles County Health Agencies, 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 20 units of chronically homeless;
- One Full Time Equivalent (FTE) Case Manager to no more than 20 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 pay for supportive services coordination and case management from cash flow as an Operating Expense up to the limits defined below. The applicant/developer may also establish a Supportive Services Reserve Fund for supportive services coordination and case management. To the extent that there are funds available after the 1) payment of all Operating Expenses, 2) funding the Replacement Reserve Fund, and 3) funding the Operating Reserve Fund, funds may be deposited into this Supportive Services Reserve Fund for the purposes of providing supportive services coordination and case management for the project's tenant population. In a given year, based on the target population served in each unit, the combined amounts of 1) supportive services coordination and case management costs taken as an Operating Expense and 2) deposits to the Supportive Services Reserve Fund shall be in amounts of no more than the following:

- Up to \$4,080 per unit per year for the chronically homeless;
- Up to \$3,060 per unit per year for homeless with special needs;
- Up to \$250 per unit per year for low income senior and other tenant populations.

The maximum balance of the Supportive Services Reserve Fund may not exceed three (3) times the per unit annual limits.

Requests for disbursement from the Supportive Services Reserve Fund 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 and case management for the project's tenant population and when other public funding is unavailable to cover supportive services coordination and case management expenses. 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 Notice of Funding Availability, or from a government agency issuing the rental or operating subsidy, if available. Disbursements from the Supportive Services Reserve Fund shall also be in accordance with Section 7.15 of the AHMP Regulations.

Inflation for the annual service coordination fee (on the \$250, \$3,060, or \$4,080 per unit, per year base) may be increased by five percent (5%) annually.

However, if CTCAC, HCD or HUD should adopt a fee guideline that would differ from that of the AHMP Regulations, the HCIDLA shall re-underwrite the project prior to AHMP loan closing to ensure consistency with the regulations of the project's primary leveraging source.

3.4 Debt Coverage Ratio

The Debt Coverage Ratio for the first year shall be equal to at least 1.15 to 1 pursuant to Section 10327(g)(6) of the most recent CTCAC Regulations, except where the applicable leveraging source regulations state otherwise. To be considered feasible, a project must demonstrate positive cash flow after debt service for a 15-year minimum term. Where a higher first year ratio is necessary to meet this requirement, the year- 15 cash flow shall be no more than the greater of 1) two percent (2%) of the year-15 gross income or 2) the lesser of \$500 per unit or \$25,000 total. Cash flow after debt service shall be limited to the higher of twenty-five (25%) of the anticipated annual must pay debt service payment or eight percent (8%) of gross income, during each of the first three years of project operation.

3.5 Developer Fee

For projects with 9% LIHTC financing structure, the maximum developer fee that may be included in the project costs is the relevant limit that is recently established by the California Tax Credit Allocation Committee (CTCAC) in the California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10327(c)(2)(A).

For projects with 4% LIHTC financing structure, the maximum developer fee that may be included in the project costs is the relevant limit that is recently established by the California Tax Credit Allocation Committee (CTCAC) in the California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10327(c)(2)(B).

Notwithstanding the CTCAC developer fee maximums, the maximum developer fee that may be paid out of development funding sources is \$2,200,000 for 9% LIHTC applications and \$2,500,000 for 4% LIHTC applications. In 4% LIHTC-structured projects, the balance of a higher earned developer fee permissible under Section 10327(c) (2) (B) must be offset by a capital contribution of an equal amount to defray the development costs associated with the project. The project budget may not reflect, nor may the project pay out, a deferred developer fee beyond the balance owed on the \$2.5 million portion of the fee. Developer fees for projects developed as multiple simultaneous phases must comply with CTCAC regulations.

All other projects that are not structured as Bond/4% LIHTC shall be subject to the 9% LIHTC developer fee policy established in CTCAC Regulations Section 10327(c)(2)(A).

Any unpaid developer fee balance shall 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 any deferred developer fee shall be 15 years. Any interest on deferred fees shall 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 and entitlement consulting if provided by a third party, 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 that is prepared by a California State-certified general appraiser no more than six (6) months prior to the date of HCIDLA loan funding. The appraisal may not determine property value based solely on the 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 Notice of Funding Availability application deadline. However, for underwriting purposes, 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, or Owner/Consultants or Owner/General Contractor must be approved by HCIDLA.

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 and/or removal of the project from the 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, or 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 public funds, including 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

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 AHMP 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 the 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 the Housing Authority of the City of Los Angeles (HACLA) shall use HACLA's utility allowance.

If a new construction development has several units supported by Section 8 Project Based Vouchers (PBVs) from HACLA, then the project shall be allowed to use HACLA's utility allowances for the entire project, except when the project has HOME funding. A project with HOME funding commitments after 8/23/2017 cannot use the HACLA utility allowance if it does not have a waiver from HUD; instead, the project shall use CUAC or HUD Utility Schedule Model (HUSM) to develop their utility allowances. Projects with HOME funding commitments after 8/23/2017 and have PBVs from a public housing agency (PHA) may apply for and be granted a waiver from HUD that allows the use of HACLA utility allowances.

3.7.9 Land Use Fees

Projects must include the fees that are associated with services provided by HCIDLA's Land Use Unit, e.g. covenant preparation, AB 2222/2256 Determination, covenant monitoring. These fees are effective as of January 16, 2017. For more information, HCIDLA's Land Use Unit can be reached at (213) 808-8843.

SECTION 4 APPLICATION PROCESS AND REQUIREMENTS

The following general rules will apply to all applications submitted under the Affordable Housing Managed Pipeline Notice of Funding Availability:

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 AHMP Regulations are 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.).
- 4.1.3 All applications must be received by the required date for each established round of Notice of Funding Availability. 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

Notice of Funding Availability 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

No applicant may file an appeal regarding an HCIDLA staff evaluation of another applicant's application. An applicant may file an appeal concerning a HCIDLA staff evaluation of the applicant's project 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 and received by HCIDLA no later than seven (7) calendar days following the notification date of the HCIDLA staff's disqualification or point score determination letter. The appeal letter must be sent to the attention of the Assistant General Manager (AGM) of HCIDLA Housing Development Bureau. The appeal shall identify specifically the applicant's grounds for the appeal, pertaining to disqualification and/or determination of point score, and shall be based solely upon the documentation submitted at the time of application. Consequently, the appeal review shall be based solely upon the existing documentation submitted by the applicant when the application was filed. HCIDLA will respond in writing to the appeal letter within 7 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 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 AHMP, 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 45 25 points)

5.1.1 Readiness (Maximum 10 points)

A maximum of 10 points will be awarded to projects which demonstrate readiness to apply in the next upcoming CTCAC rounds.

5.1.1.A Entitlements (Maximum 4 points)

5.1.1.A.i – Four (4) points shall be awarded to projects that have evidence from the Los Angeles Department of City Planning (LADCP) or the Los Angeles Department of Building and Safety (LADBS), that all necessary entitlement-related applications have been approved; and no additional discretionary approvals are required and that the project will be able secure required entitlements by the proposed CTCAC application date; or,

5.1.1.A.ii – Two (2) points shall be awarded to projects that have evidence from LADCP that the Affordable Housing Referral Form has been submitted or evidence from LADBS that the Affordable Housing Section Approval Process application has been submitted.

5.1.1.B Competitiveness (2 points)

Two (2) points shall be awarded to projects that demonstrate proof the projects will attain the maximum number of possible points in CTCAC, which includes site amenities, service amenities and affordability matrix.

5.1.1.C No Relocation (4 points)

Projects that will not require permanent relocation of residential tenant/s, shall be awarded Four (4) points.

Relocation of 10% or less - Projects that will require permanent relocation of residential tenants that equate to 10% or less, of the total new proposed units, shall be awarded Two (2) points.

5.1.2 Leverage of Committed Funding Sources (Maximum 15 points)

Points will be awarded for submittals within the application documenting enforceable commitments for permanent financing from non-City resources, for a maximum of Fifteen (15) points.

Points shall be awarded based on ratio of the Total Committed Soft and/or Private Funds (Total Committed Funds) to the project's Total Development Costs. Public funds shall not include City-owned land or other HCIDLA funding. Private funds shall not include amortized permanent loans from conventional lenders.

To calculate the points that will be awarded under this subsection, HCIDLA shall divide the Total Committed Funds by the Total Development Costs and award one-half (1/2) point for every One Percent (1%) that the ratio of Total Committed Funds versus the Total Development Costs is more than Ten Percent (10%).

For purposes of scoring, committed funding sources include federal, state, or local government funds, and those funds that are already committed under the Affordable Housing Program of the 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 (AFR) if compounding. RHS Section 514 or 515 financing shall be considered soft debt for scoring purposes in spite of a debt service requirement.

The capitalized value of rent differentials attributable to public rent or public operating subsidies (“Tranche B loans”) shall be considered committed funds **only if the project has an evidence of committed project-based vouchers from the Housing Authority of the City of Los Angeles.** The evidence of commitment of vouchers shall have been issued prior to the NOFA application deadline. The underwriting standards for Tranche B loans 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 based on CTCAC’s most recent regulations.

The land value of publicly-owned lands shall be considered committed funds. If a land will be donated, its value must be supported by an independent, third-party appraisal consistent with Section 2.12. If land will be donated through a seller’s note, the term of the seller’s note must have the same terms as the “soft” loans as described above. If the terms of the land purchase include requirements or restrictions that are not part of the conditions of zoning requirements, e.g. replacement parking, the value of the land shall be reduced by the costs that are associated with those requirements.

For the purposes of this subsection, the equity from the 4% LIHTC shall not be considered as “committed funds” and shall not be used to garner points for the application.

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

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

~~5.1.1 Donated Land (Maximum 10 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 10 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 10 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 5 points (i.e. \$2,134,000 divided by \$4,000,000 is 53.3%, and then multiplied by 10, equals 5.335, and rounded down to the nearest whole number is 5 points).~~

~~For leasehold estates, the portion of the BMV of the lease that HCIDLA shall consider for competitive points shall be reduced by the aggregate amount of any land lease payments over the lease term.~~

~~If a land is donated or leased from a public agency, 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 25 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 and dividing that amount by the projected TDC. Funds from the City's CDBG, HOME, HOPWA entitlements, Measure HHH funds and CRA funds are considered as City administered financial resources. Projected tax credit equity from 9% LIHTCs are considered as City-administered financial resources. The project's 4% LIHTCs are also considered as City-administered financial resources only for the sole purpose of determining a project's point score under this category. 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 25 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.~~

~~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 10 points)~~

~~Points will be awarded for submittals within the application documenting enforceable commitments for permanent financing from non-City resources, for a maximum of 10 points. For purposes of scoring, committed funding sources include federal, state, or local government funds, “Tranche B” loans, 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 AHMP 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, points 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 (AFR) 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 more than 4.99% = 10 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 Experience (Maximum 29 points)

General Partner, Management Company, and Borrowing Entity Characteristics

(Maximum 20 points)

5.2.1 General Partner Experience (Attachment 5.2.1)

(Maximum 12 Points)

To receive points under this subsection for projects in existence for over 3 years, the proposed general partners, and a Key Person within the proposed general partner organization, must meet the following conditions. For this subsection, the “Key Person” is defined as an Executive Director or a Housing Director in the general partner organization, or an equivalent position that meets the satisfaction of HCIDLA. Applicants shall submit a resume or curriculum vitae of the Key Person with the application:

- (i) For projects in operation for over three years, submit a certification from a third party certified public accountant 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 and have funded reserves in accordance with the partnership agreement and any applicable loan documents. 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. To obtain points for projects previously owned, the ending date of ownership or participation must be no more than 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, unless the general partner or key person has no current projects which are eligible for points in which case the report date shall be after the date from which the general partner or key person separated from the last eligible project. If the certification is prepared for a first round application utilizing prepared financial statements of the previous calendar year, the certification may be submitted in a second round application, exceeding the 60-day requirement above. 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 (Attachment 5.2.1);

- (ii) The projects in operation which are used to garner points under this subsection must be compliant under the HCIDLA Business Policy, within the last ten (10) years from the AHMP NOFA deadline.

3-4 projects in service more than 3 years, of which 1 shall be in service more than 5 years and 2 shall be California Low Income Housing Tax Credit projects = 8 points

5 or more projects in service more than 3 years, of which 1 shall be in service more than 5 years and 2 shall be California Low Income Housing Tax Credit projects = 12 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:

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 = 8 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 4 special needs projects = 12 points

5.2.2 Management Company Experience (Attachment 5.2.2) (Maximum 7 Points)

To receive points under this subsection, the property management company must meet the following conditions:

- i. 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;
- ii. The property management experience with a project shall not pre-date the project's placed-in-service date;
- iii. The projects in operation which are used to garner points under this subsection must be compliant under the HCIDLA Business Policy, within the last ten (10) years from the AHMP NOFA deadline.

6-10 projects managed over 3 years, of which 2 shall be California Low Income Housing Tax Credit projects = 5 points

11 or more projects managed over 3 years, of which 2 shall be California Low Income Housing Tax Credit projects = 7 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:

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 = 5 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 = 7 points

5.2 General Partner, Management Company, and Borrowing Entity Characteristics (Maximum 20 points)

5.2.1 General Partner Experience (Maximum 7 5 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 (Attachment 5.2.1).~~

~~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 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 — 3 points~~

~~5 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 — 5 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:~~

- ~~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 — 3 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 — 5 points~~

~~5.2.2 Management Company Experience (Attachment 5.2.2) (Maximum 5 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 — 3 points~~
- ~~11 or more projects managed over 3 years, of which 2 projects shall be California Low Income Housing Tax Credit projects — 5 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:~~

- ~~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 — 3 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 — 5 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 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** Points)

To be awarded 10 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 10 points. (Attachment 5.2.3). See Exhibit 05 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.

If application for CHDO certification has been submitted, but is pending approval, HCID will allow 60 days post AHMP NOFA application for an entity to get certified.

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

Los Angeles Housing + Community Investment Department
Housing Development Bureau
Attention: Brittany Batong
1200 W. 7 th Street, 8th Floor
Los Angeles, CA 90017
Telephone: (213) 922-9627
Email: Brittany.Batong@LACity.org

5.3 Other Policy Objectives (Maximum 36 points)

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

5.3.1 Geographic Distribution (Maximum 6 points)

Projects will be awarded maximum of Six (6) points based on ONE of the following two categories:

5.3.1.A - Project sites that are within the Transit Oriented Communities (TOC) as verified in the Los Angeles City's Zone Information Map Access System (ZIMAS) or through a verification by the Los Angeles Department of City Planning, shall receive the following points. HCIDLA shall consider the project's TOC designation/verification as of the date of the application deadline:

TOC Tier 4 / TOC Tier 3 = 5 points;
TOC Tier 2 / TOC Tier 1 = 3 points;

Or,

5.3.1.B - Project sites that are within a CTCAC's Highest or High Resource Area shall receive the following points:

High and Highest Resource Area = 5 points;

And,

One (1) point for projects which are located in both a City TOC Tier 4 or Tier 3 and a Highest or High Resource Area.

5.3.2 Extremely Low-Income (Maximum 10 points)

In order to incentivize Extremely Low Income (ELI) units for Large Family or Senior projects that are not proposing Project Based Vouchers (PBV), points shall be awarded for units above the minimum CTCAC 10% ELI. One (1) point for each 1% above the initial 10% minimum ELI units, up to maximum ten (10) points. Special Needs/Supportive Housing projects shall not be awarded points under this subsection.

5.3.3 Site Efficiency (Maximum 5 points)

Affordable new construction housing developments with the total number of units of One Hundred (100) or more per acre, shall receive five (5) points under this subsection.

5.3.4 Cost Efficiency (Maximum 15 points)

Points shall be awarded to projects whose Adjusted Total Development Cost Per Unit is lower than the Average Total Development Cost (TDC) Per Unit of the CTCAC 9% L.A. City Geographic projects in the last two rounds. One point shall be awarded to the project for every 1% that the project's Adjusted Total Development Cost Per Unit is below the Average Total Development Cost Per Unit of the 9% L.A. City Geographic projects. For this subsection, the Adjusted Total Development Cost is calculated by subtracting the following from the project's Total Development Costs: 1) developer fees, that contributed as equity to the project, that is in excess of amounts in accordance with contribution threshold as specified in Section 10327(c)(2) (B) of the CTCAC Regulations, and/or 2) any non-residential costs that are required by a government agency as part of the land disposition and are non-zoning related requirements, e.g. replacement parking, etc., up to a maximum of \$40,000 per residential unit, and/or 3) the development cost of the project's commercial component, provided that these costs are for viable commercial space that are supported by private sector financing and are excluded from the calculation of basis in accordance with CTCAC guidelines.

5.4 Enhanced Accessibility Program (Maximum 10 points)

As required by the Voluntary Compliance Agreement entered into by the City and the U.S. Department of Housing & Urban Development in 2019, competitively allocated housing

funds must include scoring points for an enhanced accessibility program that gives developments points for including additional hearing, vision, or mobility accessibility features such as power operated doors, touch pad lights, and easily accessible pantry storage. Applicants which elect to participate in the EAP will be awarded a total of Ten (10) points.

~~5.3 Other Policy Objectives (Maximum 35 points)~~

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

~~5.3.1 Community Benefit Integration (Maximum 10 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 10 points. Community facilities can include, but are not 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 and/or Qualified Census Tracts (Maximum 10 points)~~

~~Affordable housing developments located within a Small-Difficult-to-Develop-Area (SDDA) and/or a Qualified Census Tract (QCT) as published by CTCAC or HUD, are eligible to receive 10 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).~~

~~5.3.3 Special Needs Populations (Maximum 10 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 points.~~

~~To be awarded 10 points under this criterion, applicants shall indicate in the Applicant/Borrower's Certification Statement at application deadline, that at least 10% of the project's total number of units shall be set aside for population with Special Needs (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."~~

~~5.3.4 New Construction Projects with 50 or more total units
(Maximum 5 points)~~

~~Affordable new construction housing developments with (50) or more total units will receive five (5) points under this subsection.~~

~~5.3.2 Small Difficult To Develop Areas and/or Qualified Census Tracts
(Maximum 10 points)~~

~~Affordable housing developments located within a Small Difficult to Develop Area (SDDA) and/or a Qualified Census Tract (QCT) as published by CTCAC or HUD, are eligible to receive 10 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).~~

~~5.3.3 Special Needs Populations (Maximum 10 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 points.~~

~~To be awarded 10 points under this criterion, applicants shall indicate in the Applicant/Borrower's Certification Statement at application deadline, that at least 10% of the project's total number of units shall be set aside for population with Special Needs (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."~~

5.5 Negative Points (No maximum)

Negative points for each project and/or each violation, may be given at the HCIDLA General Manager's discretion for general partners, co-developers, management agents, consultants, guarantors, or any member or agent of the development as listed below:

5.5.1 Twenty (20) negative points may be assessed to developers and/or project sponsors that violate the Pipeline Order as stipulated Section 8 herein;

5.5.2 Two (2) negative points may be assessed if there is an increase in the project's Total Development Costs at the time of application as compared to the Total Development Costs at construction loan closing, and the cost increase is at 11% to 15%;

Five (5) negative points may be assessed if there is an increase in the project's Total Development Costs at the time of application as compared to the Total Development Costs at construction loan closing, and the cost increase is more than 15%;

5.5.3 Any negative points that may be imposed by CTCAC under Section 10325(2) of the CTCAC's Regulations pertaining to the assessment of Negative Points.

SCORING SUMMARY COMPETITIVE CRITERIA	
Category	Maximum Points
Financial Efficiency (45 Points)	
— 1. Donated Land	10 Points
— 2. Projected Leverage Ratio	25 Points
— 3. Committed funds	10 Points
General Partner, Management Company, and Borrowing Entity Characteristics (20 Points)	
— 1. General Partner Experience	—5 Points
— 2. Property Manager Experience	—5 Points
— 3. Borrowing Entity is a CHDO	10 Points
Other Policy Objectives (35 Points)	
1. Community Benefit Integration	10 Points
2. SDDA Area or QCT	10 Points
3. Special Needs Populations	10 Points
4. New Construction with 50 or more units	—5 Points
<i>Less Negative Points</i>	— Points
TOTAL POINTS	100 Points

<u>SCORING SUMMARY</u> <u>COMPETITIVE CRITERIA</u>	
<u>Category</u>	<u>Maximum Points</u>
<u>Financial Efficiency (25 Points)</u> <ol style="list-style-type: none"> 1. <u>Readiness</u> <ol style="list-style-type: none"> A. <u>Entitlements</u> <ol style="list-style-type: none"> i. <u>LADCP or LADBS approval (4 points); or</u> ii. <u>Affordable Housing Referral form has been submitted to LADCP (2 points);</u> B. <u>Competitiveness – Project will attain the maximum CTCAC points (2 points);</u> C. <u>Relocation – Project will not require relocation (4 points); or</u> <u>“10% Relocation” – (2 points)</u> 2. <u>Leverage - Committed Funds (15 points).</u> 	<p style="text-align: center;"><u>10 Points</u></p> <p style="text-align: center;"><u>15 Points</u></p>
<u>General Partner, Management Company, and Borrowing Entity Characteristics (29 Points)</u> <ol style="list-style-type: none"> 1. <u>General Partner Experience;</u> 2. <u>Property Manager Experience;</u> 3. <u>Borrowing Entity is a CHDO.</u> 	<p style="text-align: center;"><u>12 Points</u></p> <p style="text-align: center;"><u>7 Points</u></p> <p style="text-align: center;"><u>10 Points</u></p>
<u>Other Policy Objectives (36 Points)</u> <ol style="list-style-type: none"> 1. <u>Geographic Distribution</u> <ol style="list-style-type: none"> A. <u>Project site is within TOC</u> <ol style="list-style-type: none"> i. <u>TOC Tier 4 or TOC Tier 3 (5 points);</u> ii. <u>TOC Tier 2 or TOC Tier 1 (3 points);</u> or, B. <u>Project site is within the Highest or High Resource Area (5 points)</u> <u>and,</u> <u>Project site is located in both TOC Tier 4 or Tier 3, and Highest or High Resource Area (1 point);</u> 2. <u>Extremely Low-Income units within a Large-Family project that is not proposing Project-Based Vouchers;</u> 3. <u>Site Efficiency – New Construction with 100 or more units per acre;</u> 4. <u>Cost Efficiency – Adjusted TDC/unit vs Average TDC/unit.</u> 	<p style="text-align: center;"><u>6 Points</u></p> <p style="text-align: center;"><u>10 Points</u></p> <p style="text-align: center;"><u>5 Points</u></p> <p style="text-align: center;"><u>15 Points</u></p>
<u>Sub-total possible points before bonus points</u>	<u>90 Points</u>
<u>Bonus – Enhanced Accessibility Program points</u>	<u>10 Points</u>
<u>TOTAL POSSIBLE POINTS</u>	<u>100 Points</u>

5.6 Additional Project Selection Considerations

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

The Notice of Funding Availability 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 AHMP 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 the 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~~ 250 units of Permanent Supportive Housing in the Pipeline, annually, subject to availability of funds and tax credits.

5.6.3 Minimum At-Risk Projects in the 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 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 Pipeline at all times.

5.6.4 Minimum Senior Projects and Large Family Projects in the Pipeline

To the extent that there are available 9% LIHTC, AHMP 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~~ 400 units targeting large families, in the Pipeline.

5.6.5 Geographic Distribution of Resources

The AHMP scoring system shall award points to projects that are located within either the City’s Transit Oriented Communities program and CTCAC’s Highest and High Opportunity Area. See scoring system above.

~~The AHMP Program will continue to prioritize affordable housing developments that are considered as qualified Transit Oriented Projects in accordance with Section 2.21 of these Regulations. (refer to the TOD definition in Section 2.21).~~

~~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 Pipeline.~~

5.6.6 Priority Order of LA City Goals

This is a competitive Notice of Funding Availability 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, AHMP Funds, or other leveraging sources:

All projects must meet all threshold requirements, as further described in the regulations. Only those projects that pass the minimum threshold review shall move forward on being ranked according to their total score as verified by the HCIDLA staff. Ranked projects shall be sorted according to their housing types, beginning with 1) supportive housing projects, then 2) large family projects, then 3) senior projects, then 4) at-risk/preservation projects, then 5) 4%-Bond projects, and then all others. HCIDLA staff shall admit into the AHMP in the following manner:

FIRST, within the Supportive Housing (SH) projects, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking SH project, and then the next top-ranking project and so on, the HCIDLA will select projects from this SH group and admit them into the Pipeline. The HCIDLA will keep a cumulative count of the number of SH units that are being accepted into the Pipeline from order of selections, and will continue to select projects until the goal of 250 SH units is reached.

SECOND, within the Large-family (LF) projects, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking LF project, and then the next top-ranking project and so on, the HCIDLA will select projects from this LF group and admit them into the Pipeline. The HCIDLA will keep a cumulative count of the number of LF units that are being accepted into the Pipeline from order of selections, and will continue to select projects until the goal of 400 LF units is reached.

THIRD, within the Senior projects, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking Senior project, and then the next top-ranking project and so on, the HCIDLA will select projects from this Senior group and admit them into the Pipeline. The HCIDLA will keep a cumulative count of the number of Senior units that are being accepted into the Pipeline from order of selections, and will continue to select projects until the goal of 50 senior units is reached.

FOURTH, within the At-risk/Preservation (At-risk) projects, the HCIDLA will rank applications using verified scores as the ranking key, from the highest to the lowest score. Beginning with the top-ranking At-risk project, and then the next top-ranking project and so on, the HCIDLA will select projects from this At-risk group and admit them into the Pipeline. The HCIDLA will keep a cumulative count of the number of At-risk units that are being accepted into the Pipeline from order of selections, and will continue to select projects until the goal of 100 At-risk units is reached.

FIFTH, once all of the above goals are met, and if HCIDLA funds are still available, HCIDLA will continue to select the highest scoring project in each category above, including 4%/ Bond projects, until available funds are exhausted. If there are not

enough units to satisfy the above goals, HCIDLA will consider other types of applications based on score.

~~**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 Pipeline. The HCIDLA will keep a cumulative count of the number of Non TOD units that are being accepted into the 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 Pipeline. The HCIDLA will keep a cumulative count of the number of PSHP units that are being accepted into the 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 any PSHP application into the 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 Pipeline. The HCIDLA will keep a cumulative count of the number of General Pool units that are being accepted into the 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.~~

~~**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 Pipeline. The HCIDLA will keep a cumulative count of the number of units that are being accepted into the Pipeline from the first, second, third, and fourth set of selections and will stop selecting projects into the Pipeline as goals are reached, subject to availability of AHMP 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 Pipeline. The HCIDLA will keep a cumulative count of the number of units that are being accepted into the Pipeline from the first, second, third, and fourth set of selections, and will stop selecting projects into the Pipeline as goals are reached, subject to availability of AHMP Funds.~~

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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 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 Notice of Funding Availability, a limited number of developments shall be selected to enter into a Project Readiness Agreement (PRA). The number of developments selected will be 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 Notice of Funding Availability.

6.2 **Conditions contained 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.

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 Architectural Design Review

The evaluation of all projects shall be based on, but not limited to, design standards related to site planning, common spaces/circulation, unit layout, and compliance with applicable accessibility 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.

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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 AHMP 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 a 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 shall work with their CAsp consultants/specialists and shall ensure that their project/s comply with the following accessibility standards including, but not limited to:

- Section 504 of the Rehabilitation Act of 1973, as amended, and its implementing regulations at CFR Part 8, effective July 11, 1988 and the Uniform Federal Accessibility Standard (UFAS) 24 CFR Part 40;
- HUD’s Alternative Accessibility Standard published in the Federal Register May 23, 2014 (Vol. 70 Number 100) that allows recipients of HUD funds to use the 2010 ADA Title II Standards for Accessible Design except for the eleven UFAS sections deemed by HUD to provide greater accessibility;
- The 2010 Standards for State and local governments, which consist of the Title II regulations at 28 CFR 35.151 and the 2004 ADDAG at 36 CFR part 1191, appendices B and;
- The 2010 Standards for public accommodations and commercial facilities, which consist of the Title II regulations at 28 CFR part 36, subpart D, and the 2004 ADAAG at 36 CFR part 1191, appendices B and D;
- Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. Title VIII was amended in 1988 (effective March 13, 1991) by the Fair Housing Amendments Act that describes required construction standards for all multifamily properties. Fair Housing Act, 42 U.S.C. 3601, et seq; 24 CFR Parts 100, 103, and 104;
- [The Fair Housing Act, compliance with the standards set forth in 24 C.F.R. § 100.205, including: ANSI A117.1-1986; and the Fair Housing Accessibility Guidelines, March 6, 1991, in conjunction with the Supplement to Notice of Fair Accessibility and Answers About the Guidelines, June 28, 1994 Housing Guidelines: Questions;](#)

- California Building Code Chapters 11A & B (architect must include this note on title page of plans: “This is a publicly funded housing project and must comply with California Building Code Chapter 11B”).

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%~~11% of the total units in the project must be accessible to persons with mobility impairments.

The 4% and the ~~10%~~11% 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.

The City shall not permit units to be occupied, until a Verification of Compliance with Accessibility Standards for the development has been issued by the Neutral Accessibility Consultant (NAC) and 100% occupancy of accessible units by people who need those features:

- housing development that is currently under construction,
- future housing development,
- unoccupied housing development that is subject to substantial alterations,
- or unoccupied housing development that is subject to other alterations to be occupied,

Prior to Issuance of TCO:

Prior to issuance of a Temporary Certificate of Occupancy (TCO), the development must obtain a clearance from HCIDLA Accessible Housing Program (HCIDLA AcHP). The HCID AcHP has been added to the ACOS (Automated Certificate of Occupancy System) within the Los Angeles Department of Building and Safety (LADBS) to ensure that the development complies with all applicable accessibility standards prior to LADBS’ issuance of TCO.

Certificate of Occupancy (C of O):

As described above, HCIDLA AcHP clearance verification has been added to the LADBS ACOS to ensure that LADBS does not issue a Certificate of Occupancy (C of O) prior to the proper documentation (i.e., the Verification of Compliance by the NAC and the Certification of Compliance by the City) is presented to the developer/owner in order for LADBS to issue a C of O.

At the time of application, an Accessibility Compliance Certification must be completed and signed by the applicant (see Attachment 2.24 and Exhibit 1 HCIDLA Architectural Guidelines) 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:

- **Accessibility Design Review Report** ~~at review of construction documents prior to the submittal of plans to Los Angeles Building and Safety Department. This report shall be conducted by a Certified Access Specialist (CASp) consultant and the complete set of architectural plans must be submitted to HCIDLA AcHP for review and approval prior to the LADBS' issuance of a building permit.~~ Provide a pdf copy of plans used for the review;
- **Accessibility Progress Inspection Reports** after all rough inspections have been signed off prior to closing of walls;
- **Final Accessibility Report** at completion of construction must be approved by the HCIDLA AcHP ~~before any TCO or C of O can be issued and any retention payment can be made;~~
- ~~Final Accessibility Report at completion of construction must be approved by HCIDLA before any retention payment of certificate of occupancy can be issued.~~

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

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_2.6.1.3). 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 Accessible Housing Program (AcHP) compliance, Affirmative Marketing due to non-listing on <https://lahousing.lacity.org/AAHR>, 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” 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. In addition, before HCIDLA will commit to funding any loan for a project selected through the Notice of Funding Availability 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 by the identified leveraging source, in combination with HCIDLA guidelines detailed in Section 3 of these AHMP 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 AHMP 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 Notice of Funding Availability 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 Notice of Funding Availability application deadline. The resolution must include:
 - a. Authorization to participate in the Notice of Funding Availability ;

- 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 (form LP-1), and any amendment thereto (form LP-2) recorded in public records;
- 2) A full copy of the partnership agreement and any amendments;
- 3) Satisfactory evidence of the consent of a majority in interest of the limited partners for the limited partnership to participate in the Notice of Funding Availability 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.

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

Pursuant to California Corporations Code §313 and *Snukal v. Flightways* (2000) 23 Cal. 4th 754, all documents executed or entered into with a corporation should have the signature of an officer in each of the following two categories:

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

However, the signature of the Executive Director **and** a signature from either category listed above will suffice.

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, and Cash Flow Statements with notes) shall be submitted with the complete Notice of Funding Availability 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 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. Developments may also use the Coordinated Entry System for applicant referrals. 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.

Any project with a commitment to provide Measure H supportive services from a Los Angeles County Health Agency (e.g. the Departments of Health Services (DHS), Mental Health (DMH) and Public Health (DPH)) must, at the time of Project Readiness, provide a letter from the L.A. County Health Agency identifying its intent to provide services for special needs units in the proposed project. If supportive services are provided by the L.A. County Health Agency for a Special Needs population, a Supportive Service Plan is not required for that population. If you wish to have supportive services provided to your project by the L.A. County Health Agency, please contact Leepi Shimkhada at the LA County Department of Health Services, Housing for Health, for a commitment letter. Ms. Shimkhada's email is: lshimkhada@dhs.lacounty.gov. The commitment letter should then be included in the Project Readiness due diligence submittals.

A Supportive Service Plan with an identified lead service provider is required at the time of Project Readiness for any general low-income units or Special Needs units in the proposed project that are not supported by the L.A. County Health Agency.

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 AHMP

Regulations and HACLA's PBV NOFA requirements, the HACLA requirements will prevail.

7.15.1 Supportive Services Plan for Supportive Housing Units

All supportive and affordable housing projects that have supportive housing units within each project shall submit a Supportive Services Plan that includes a detailed outreach plan for each proposed population, a staffing plan, and supportive services budget. Additionally, projects with Accessible Housing Program (AcHP) units shall submit a plan to incorporate the Coordinated Entry System (CES), and the HCIDLA's Affordable and Accessible Housing Registry in leasing to persons needing accessibility improvements.

7.16 Evidence of Approvals Necessary to Begin Construction or Clearance Sign-offs for Attachment 14 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, Costal 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 14 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

Ninety (90) days prior to a CTCAC application deadline, as a condition for "Project Readiness," each project that will be 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 AHMP CALENDAR

8.1 Parameters for the AHMP Calendar

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

Only projects that are in the current AHMP-admitted list shall be allowed and/or supported by HCIDLA to compete in the CTCAC's 9% LIHTC Funding Rounds. In its sole discretion, the HCIDLA may allow a 4% LIHTC-Bond project from another HCIDLA program to convert its financing structure to a 9% LIHTC, to enable HCIDLA to meet its overall production goals.

- 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;
 3. Projects admitted under Initial Notice of Funding Availability first; the January 2014 Notice of Funding Availability 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” ninety (90) days prior to their slotted CTCAC round deadline;
- The AHMP Calendar must meet the deadlines of other public sources.

8.2 Publication of Pipeline List

The City will publish the Pipeline upon inception, and every time the Pipeline is modified either through addition via a Notice of Funding Availability, 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 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 Pipeline, the City will only issue the City’s “Strong Support” in a Local Reviewing Agency (LRA) letter to 9% LIHTC-seeking developments coming out of the City’s AHMP; 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 Pipeline or applies out of order without HCIDLA’s written consent, will receive an LRA 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 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 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 Pipeline Calendar, and 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 AHMP 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 AHMP

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 Pipeline. Such propositions will be made in the order of priority per the published 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 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 Notice of Funding Availability, 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 Intentionally Left Blank

8.11 Other City-Administered Funds

From time to time, the City may administer additional funds for multi-family affordable housing developments (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 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 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 may be excluded from the 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 manner that ensures HCIDLA's compliance with 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 the flow of projects through the 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 a 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 CTCAC 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;
- The HCIDLA may, from time to time, elect to issue its consent to re-structure a pipeline project to allow HCIDLA to meet HUD's commitment, funding, and expenditure requirements. Only in such cases, HCIDLA in its sole discretion, may use the most current subsidy limits under the HUD HOME Program, in place of the HCIDLA maximum subsidy limits regardless of the leveraging source or housing

type. In cases where HUD may adjust these limits, the HCIDLA limits will be adjusted accordingly, as applied to this section.

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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 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 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 Pipeline.

10.4 Affordable Housing Exemption

The City, though 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 Pipeline.

**AFFORDABLE HOUSING MANAGED PIPELINE REGULATIONS
NOTICE OF FUNDING AVAILABILITY DOCUMENT CHECKLIST**

THRESHOLD ITEMS
Applicable items from the following list must be completed and submitted with the AHMP application:
Att_2.1 – Leveraging Source Application Form with Financial Proforma, and Supplemental AHSC Questionnaire, if applicable
Att_2.2 – Preliminary Title Report dated within 90 days of app deadline, and 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
Att_2.6.1.3 – List of Properties
Att_2.7 – Intentionally left blank
<u>Att_2.8 – Minimum Equity Level – Completed CTCAC application</u>
Att_2.9.1 - Organization Chart
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_2.12.1 - 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_2.15 – Letter from LAHSA re: Family CES (<i>if applicable</i>)
Att_2.16 – Conceptual Architectural Plans or Schematics
Att_2.17 – HCIDLA Competitive Criteria Self-Score Form

Att_2.18 - CTCAC Application, Point System <u>Tab</u> - Section <u>E</u> - 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: Heavy and/or Light Rail Train, bus schedules
Att_2.23 – Soils Report, or Affidavit from General Partners, Pertaining to Soils Report
Att_2.24 – Self-Certification Form for Compliance to Access Standards
<u>Att_2.25 – Construction Cost Estimating Documentation by a Third-Party Cost Estimator</u>

<p>ADDITIONAL THRESHOLD ITEMS <i>(If applicant is proposing to garner competitive criteria points under committed funding sources, general partner/management company experience, CHDO certification, <u>Enhanced Accessibility Program</u>):</i></p>
<u>Att_5.1.1.A – Evidence of Entitlement Approval/Application Submittal</u>
Att_5.1.2 – Committed Funding Sources – Evidence of Enforceable Commitments
Att_5.2.1 – General Partner Experience List of Projects in Operation and Certification from a Third Party Certified Public Accountant, <u>and Resume/Curriculum Vitae of Key Person</u>
Att_5.2.2 – Management Company Experience and Letter of Interest from the Property Management Company
Att_5.2.3 – CHDO Certification Letter from HCIDLA
Att_5.3.2 – SDDA and/or QCT Area: SDDA and/or QCT Labeled Map <u>Enhanced Accessibility Program Affidavit form</u>

ATTACHMENT B

The recommendations in this report will authorize HCIDLA to solicit applications to utilize approximately \$59 million dollars from a combination of HUD HOME allocation, federal HOPWA funds, and proceeds from the City’s Linkage Fee.

Funds Available	2020-21	2021-22
HOPWA	\$ 3,041,000	
HOME	\$ 42,925,000	\$ 22,000,000
Linkage Fee	\$ 13,352,000	\$ 9,000,000
SB 2	0	\$ 11,400,000
Total	\$ 59,318,000	\$ 42,400,000

SCORING SUMMARY COMPETITIVE CRITERIA	
Category	Maximum Points
Financial Efficiency (25 Points)	
1. Readiness <ul style="list-style-type: none"> A. Entitlements <ul style="list-style-type: none"> i. LADCP or LADBS approval (4 points); or ii. Affordable Housing Referral form has been submitted to LADCP (2 points); B. Competitiveness – Project will attain the maximum CTCAC points (2 points); C. Relocation – Project will not require relocation (4 points); or “10% Relocation” – (2 points) 	10 Points
2. Leverage - Committed Funds (15 points)	15 Points
General Partner, Management Company, and Borrowing Entity Characteristics (29 Points)	
1. General Partner Experience;	12 Points
2. Property Manager Experience;	7 Points
3. Borrowing Entity is a CHDO.	10 Points
Other Policy Objectives (36 Points)	
1. Geographic Distribution <ul style="list-style-type: none"> A. Project site is within TOC <ul style="list-style-type: none"> i. TOC Tier 4 or TOC Tier 3 (5 points); ii. TOC Tier 2 or TOC Tier 1 (3 points); or, B. Project site is within the Highest or High Resource Area (5 points) and, C. Project site is located in both TOC Tier 4 or Tier 3, and Highest or High Resource Area (1 point); 	6 Points
2. Extremely Low-Income units	10 Points
3. Site Efficiency – New Construction	5 Points
4. Cost Efficiency – Adjusted TDC/unit vs Average TDC/unit.	15 Points
Sub-total possible points before bonus points	90 Points
Bonus – Enhanced Accessibility Program points	10 Points
TOTAL POSSIBLE POINTS	100 Points