

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council File No. 21-0305

Council District: Citywide

To: The Mayor
The Council

From: *Yolanda Chavez*
for Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department report dated March 15, 2021; Received by the City Administrative Officer on March 17, 2021; Additional Information Received through March 23, 2021

Subject: **REQUEST FOR AUTHORITY TO APPROVE AND RELEASE THE AFFORDABLE HOUSING MANAGED PIPELINE REGULATIONS AND OPEN THE 2021 NOTICE OF FUNDING AVAILABILITY**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Amend Recommendation II. A of the Housing and Community Investment Department transmittal dated March 15, 2021 (Report) relative to the Affordable Housing Managed Pipeline (AHMP) Regulations and 2021 Notice of Funding Availability to state that the AHMP Regulations are included in substantially final form as Attachment A to the Report, and adopt as amended; and,
2. Adopt Recommendations II. B and C in the related Report.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to: 1) adopt and release the updated Affordable Housing Managed Pipeline (AHMP) Regulations included as Attachment A to the HCID transmittal dated March 15, 2021 (Report); 2) implement an allocation schedule that will include the authority to conduct up to two funding rounds for the AHMP NOFA to select projects to compete in the California Tax Credit Allocation Committee 2021 and 2022 Low Income Housing Tax Credit allocation rounds; and, 3) authorize HCID to solicit AHMP applications for the 2021 Notice of Funding Availability (NOFA) based on the availability of funds allocated through various Program Years of the Consolidated Plan, Linkage Fee program, and California Senate Bill 2 (SB 2) grant funds. The proposed revisions to the AHMP regulations: 1) are in alignment with the regulations of available federal, state, and/or local multifamily housing development funding programs and sources; 2) allow the HCID to introduce and implement policies

consistent with the City's Affordable Housing priorities; 3) provide direction and guidance; and, 4) further enhance AHMP Regulations and its processes. Subsequent to the release of their Report, the Department verified that the revised threshold requirements section of the Report incorrectly references "2.25" as the section for the maximum number of projects per developer, and noted that it should be "2.6". The HCID additionally requested to add language in the recommendations clarifying that the AHMP Regulations are still subject to technical amendments prior to its final release for the AHMP 2021 NOFA.

The HCID reports that several revisions target addressing the increasing costs and long time to build affordable housing. The Department will now require a third-party construction estimate from a professional estimator or general contractor as part of the application. The HCID is proposing to introduce a new scoring strategy that will reward developments that include cost containment measures that result in an adjusted total development cost per unit that is lower than the average total development cost per unit of the California Tax Credit Allocation Committee (CTCAC) nine percent Low Income Housing Tax Credit (LIHTC) City of Los Angeles Geographic projects in the last two rounds of tax credit allocations. Additional information on the new scoring strategy is included in HCID's Report. The Department will also award additional points based on a tiered system to projects that minimize or do not require relocation, which adds costs to the total development costs per unit. The proposed revised regulations will also award points to projects that already have outside funding sources so that HCID can prioritize ready-to-start projects. Finally, the HCID proposes to impose negative points to the development team whose project's total development cost increases by a certain percentage range from the total development cost at the time of the application to the construction loan closing.

The Department identifies four sources of funding (CTCAC nine percent LIHTC City of Los Angeles Geographic Region, California Strategic Growth Council's Affordable Housing and Sustainable Communities, Veterans Housing and Homeless Prevention Bond Act of 2014, and the State Multifamily Housing Program) that AHMP projects must be aligned with in order to compete for funding. The HCID could also provide selected projects additional funding from the City's annual allocation of federal HOME Investment Partnership Program (HOME) funds, federal Housing Opportunities for Persons with HIV/AIDS (HOPWA) funds, the City's Affordable Housing Linkage fee, and California Senate Bill 2 (SB 2) grant funds. Attachment B of HCID's Report identifies \$59.3 million in available funds for Fiscal Year 2020-21 and \$42.4 million in 2021-22 for a total of \$101.7 million over two years. While HCID's Attachment B to their Report notes there will only be SB 2 funding for next fiscal year, the Department reports it is possible that SB 2 funding could be used in this fiscal year if grant funds are accepted and available in time.

The proposed AHMP Regulations anticipate opening the NOFA in April 2021 and providing recommendations to the Council and Mayor for admitting projects into the AHMP in June 2021. This Office concurs with the Department's recommendations, as amended to clarify that the proposed AHMP Regulations are subject to technical amendments prior to its final release.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Projects selected through the Affordable Housing Managed

Pipeline Notice of Funding Availability process will be fully funded by dedicated funding sources, which could include HOME Investment Partnership Program funds, Housing Opportunities for Persons with HIV/AIDS funds, Affordable Housing Linkage fee funds, and California Senate Bill 2 grant funds.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

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