

## TRANSMITTAL

To: **THE COUNCIL**

Date: **10/09/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over a large, light blue, stylized 'S' or 'G' shape.

(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

September 21, 2020

Council File: 13-0413  
Council Districts: Citywide  
Contact Persons: Brittany Batong: (213) 922-9627  
Sean Spear: (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 IMPLEMENT AND ADJUST FEES FOR THE AFFORDABLE HOUSING BOND PROGRAM BASED ON A FEE STUDY**

**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 implement and adjust fees for the Affordable Housing Bond Program (AHBP) based on a fee study conducted by BAE Urban Economics (BAE). This is in alignment with the Mayor's fiscal restraint memo, which includes guidance that all General Managers, with the input of the City Administrative Officer (CAO), present and submit for consideration all potential fee updates to ensure full cost recovery for services.

This transmittal also provides an analysis of potential fees that could be assessed for the Occupancy Monitoring and Covenants Program (OM) based upon a fee study by the same contractor, BAE. HCIDLA is not recommending the implementation of fees for the OM program at this time, due to the conclusion that the cost of implementing this new fee would exceed the revenue generated for at least the first two years.

**RECOMMENDATIONS**

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:



- A. AUTHORIZE the General Manager of HCIDLA, or designee, to implement and adjust fees for the Affordable Housing Bond Program as detailed on Table 1 and Table 2 of this report; and,
- B. INSTRUCT the City Attorney to prepare and present an Ordinance to the City Council to codify the recommended Affordable Housing Bond Program fees.

## **BACKGROUND**

HCIDLA facilitates the financing of housing development projects with its business and community partners. Using federal, state, and local funding resources, the department builds and preserves housing by leveraging funds with private investments in order to maximize the positive impact of its programs.

With the decrease in leveraged funding sources to maintain administrative costs, the CAO determined the department must re-assess existing borrower fees to recover the costs of City staff time and contractor expenses incurred towards this work, and explore new opportunities for charging fees.

As such, HCIDLA contracted with BAE Urban Economics (City Contract No. C-132971) to analyze services and associated costs (direct, indirect, expenses, etc.) for two HCIDLA work units, and to develop or update the basis for applicant/developer fees to recover City costs.

### **Affordable Housing Bond Program**

HCIDLA is the primary issuer of multifamily tax-exempt housing bonds administered and allocated through the California Debt Limit Allocation Committee (CDLAC), for qualified developments located in the City. The bond sale proceeds are leveraged with other funding sources.

City staff time is required to administer the AHBP, oversee CDLAC regulatory requirements, and issue the bonds. The AHBP most recently comprehensively reviewed its expenses and established fees in April 2005, as codified in HCIDLA's *Multi-Family Bond Policies and Procedures* (MHBPP), adopted by Mayor and City Council on April 20, 2005 (C.F. No. 04-2646), and updated as adopted by the Mayor and City Council in September 2019 (C.F. No. 19-0334) under the new title *Affordable Housing Bond Policies and Procedures* (AHBPP).

### ***Summary of AHBPP Recommended Changes to Fees***

HCIDLA recommends making minor adjustments to the fees charged to standard bond projects (those whose bond allocations are issued by HCIDLA), which will allow greater recovery of AHBP staff costs.

Table 1, below, compares the fees that were established in 2005 and continued as part of the revised AHBPP in 2019, with the fees that are proposed as part of this action:

<b>TABLE 1, COMPARISONS BETWEEN CURRENT AND PROPOSED FEES</b>			
<b>Fee Type</b>	<b>Are Costs Currently Being Recovered? (Y/N)</b>	<b>2005 Fees continued in 2019 (Current)</b>	<b>Proposed 2020 Fee</b>
<b>Cost of Issuance Fee</b>	Y	3 <sup>rd</sup> Party costs covered by borrower (see Bond Policy)	<b>No Changes</b>
<b>Annual Issuer Fee</b>	Y	> of 12.5 basis points (0.125%) or \$2,500	<b>&gt; of 12.5 basis points (0.125%) or \$3,000</b>
<b>Consent, Approval, Transfer, Amendment and Waivers Fee</b>	Y	> of 12.5 basis points (0.125%) or \$5,000	<b>No changes</b>

<b>TABLE 1, COMPARISONS BETWEEN CURRENT AND PROPOSED FEES</b>			
<b>Application Processing Fee</b>	N	\$3,000 per application	<b>\$4,607 per application</b>
<b>TEFRA Hearing Fee</b>	N	\$3,000 per project	<b>\$4,001 per project</b>
<b>Initial Issuer Fee</b>	N	25 basis points (0.25%) of the bond amount	<b>No Changes</b>

HCIDLA recommends a more aggressive fee schedule for projects utilizing outside issuers (instead of HCIDLA) to issue the bonds. Table 2, below, compares the fees that were established in the 2019 AHBP for outside issuer projects, with the fees that are proposed as part of this action:

<b>TABLE 2, PROPOSED FEE INCREASES TO PROJECTS UTILIZING OUTSIDE ISSUERS</b>			
<b>Fee Type</b>	<b>Are Costs Currently Being Recovered? (Y/N)</b>	<b>2019 Fees (Current)</b>	<b>Proposed 2020 Fee</b>
<b>Outside Issuer Application Processing Fee (one time)</b>	Y	\$3,000	<b>\$4,249 (Application review)</b>
<b>Outside Issuer TEFRA Hearing Fee (one time)</b>	N	-	<b>\$644</b>
<b>Outside Issuer Accessibility Compliance Monitoring (one time)</b>	N	\$2,500	<b>\$65,145 (see breakdown below)</b>
<i>AcHP Policy Compliance Review</i>	<i>N</i>	<i>-</i>	<i>\$19,111</i>
<i>AcHP Design &amp; Construction Monitoring</i>	<i>N</i>	<i>-</i>	<i>\$46,034</i>

The fee study and proposed updates are described in detail in the sections below.

### ***AHBP Fees Impact***

The impact of the revised fees on individual HCIDLA-funded bond projects will be nominal. Recommended changes to the existing fees will result in an overall increase of \$3,108 per project. Over a five-year time period, however, assuming an average of 22 bond applications per year, this could result in the City seeing over \$300,000 in additional fee revenue, an average of over \$68,000 in revenue per year.

Recommended changes to the fees for projects utilizing outside issuers will result in an overall increase of \$63,894 per project. Annually, the number of these projects vary, but in recent years the AHBP has been asked to review applications for at least one project utilizing an outside issuer per year.

### ***AHBP Fee Study Process***

To determine whether the previously approved fees continue to align with the current costs associated with AHBP operations, and to understand the program's activities in light of its peers and potential competitors, BAE prepared an analysis that contains the following elements:

1. Staff Activities and Administrative Costs Analysis, which were detailed in the "Staff Costs Fee Study: Affordable Housing Bond Program" narrative document (Attachment A, page 13-21), and synthesized into a detailed breakdown by work activity categories, quantified by time and cost of tasks performed by AHBP (Attachment B).
2. Peer Jurisdictions Cost Recovery Survey, which provides an overview of the methods by which other California jurisdictions charge fees associated with tax-exempt multifamily bond programs, as detailed in the "Staff Costs Fee Study: Affordable Housing Bond Program" narrative document (Attachment A, page 22-26).

3. Statewide Bond Issuers Survey, which provides an overview of the methods by which bond issuers that work throughout California, and sometimes issue bonds in the City of Los Angeles, charge fees associated with tax-exempt multifamily bonds that they issue, also analyzed in the “Staff Costs Fee Study: Affordable Housing Bond Program” narrative document (Attachment A, page 27-33). Note, Statewide Bond Issuers were surveyed to determine where smaller private joint powers authorities are in comparison to the City in charging fees – but HCIDLA does not propose adjusting fees to compete with them, since they do not maintain anywhere near the same staffing or monitoring levels.
4. Staff Activities and Administrative Costs Analysis, specifically for AHBP Costs Associated with Projects Utilizing Outside Issuers. These costs incorporate work done for Occupancy and Accessibility Monitoring, and were synthesized into a detailed breakdown by work activity categories. Potential fees were quantified by time and cost of tasks performed by the AHBP team, Accessible Housing Program (AcHP) staff, and OM staff as related to the AHBP (Attachment C). The proposed fees are described in the “Staff Costs Fee Study: Affordable Housing Bond Program” narrative document (Attachment A, page 34-38).

BAE found that some of the current fees are at present achieving full cost recovery, while others are not. In addition, the cost structure for AHBP fees is generally aligned with those of peer jurisdictions and, if increased appropriately, could still remain within industry standards.

#### ***AHBP Updates to Existing Bond Fees for Projects Utilizing HCIDLA for Bond Issuance***

**Cost of Issuance Fees** include the costs associated with the issuance of the bond. Such costs typically include bond counsel, financial advisor, and trustees. This work activity was not included as part of the fee study, since borrowers are required to fully cover these third-party costs as per the AHBP. No changes are proposed at this time.

**Annual Issuer Fees** are charged on a yearly basis, to cover work related to processing, and tracking annual bond fees, to prepare mandated annual conduit reports, and to monitor the bond regulatory agreements. The activity is conducted once a year for every project in the AHBP portfolio. BAE found that the actual staff costs associated with this work total an average of ***\$2,750 per project***. HCIDLA proposes adjusting the minimum amount up to **\$3,000** to compensate for costs that may not be covered as part of the Initial Issuer Fee (see below).

**Consents, Approvals, Transfers, Amendments and Waivers fees** are related to owner-requested changes to the bond documents that were executed as part of the bond issuance. HCIDLA currently charges a processing fee equal to the greater of \$5,000 or .125% of the permanent principal amount of the relevant bond issue, which is charged per action. Most of the time this is enough to compensate for the work that goes into the requests, although occasionally there are situations where the action results in changes to multiple documents, thus becoming more burdensome to staff and resulting in more time spent than the average transaction. However, the staff costs and fee currently charged still balance out for the program as a whole, and HCIDLA is not proposing any changes at this time.

The **Application Processing Fee** covers the costs associated with the review of the application for tax-exempt multifamily bond financing. AHBP staff review the application, work with the Occupancy Monitoring Unit to conduct a background check, request and process fees, and facilitate a TEFRA/Inducement meeting with the developer. HCIDLA proposes to increase this fee from \$3,000 to **\$4,607** per application, so that full cost recovery for these activities can be achieved.



The **TEFRA Hearing Fee** covers the costs associated with the bond inducement and processing of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requirements. The TEFRA requirements include publishing a notice of public hearing, conducting the hearing, preparing a motion, seeing the motion through to Council and Mayor approval, and following up with the City Clerk and CDLAC regarding the adopted resolution. Evidence of TEFRA is normally required as part of the bond application. HCIDLA proposes adjusting the minimum fee amount from \$3,000 to **\$4,001** per applicant.

The **Initial Issuer Fee** accounts for all staff tasks associated with issuing the bond through conversion to permanent financing. Currently, the 25 basis points charged do not cover the staff costs related to this activity. BAE proposed that HCIDLA could adjust this fee to implement a fee minimum or, alternatively, bifurcate its fee structure for deals below and above \$20 million, to match the statewide issuers. However, the Peer Jurisdictions Cost Recovery survey demonstrated that HCIDLA is currently in agreement with other similar-sized government issuers at the current fee rate. As such, HCIDLA proposes to compensate for the discrepancy by adjusting the Annual Issuer fee slightly above the fee study cost findings, as noted above. In the Revised Bond Policies, HCIDLA referred smaller issuances to outside issuers, so those to whom a minimum might apply will not be working with HCIDLA on their issuance, anyway.

### ***AHBP Fees to be Charged to Projects Utilizing Outside Issuers***

Pursuant to the *HCIDLA Outside Issuer Guidelines* memorialized as Exhibit A in the AHBP approved in September 2019, fees currently charged to projects utilizing outside issuers are limited to the \$3,000 **Application Processing Fee** currently charged to all projects, and \$2,500 for costs related to **Accessibility Compliance Monitoring**, in addition to reimbursement of HCIDLA's reasonable lending and issuance-related costs at the closing of the bond issuance. These fees do not correlate with work performed by HCIDLA staff on such projects.

The **Outside Issuer Application Processing Fee** charged to projects utilizing outside issuers should incorporate only portions of AHBP work. Specifically, the "Application Review" and "Background Check" components of the AHBP's work should be incorporated into this fee for outside issuers. In addition, BAE conducted a review of Occupancy Monitoring activities as they relate to the Bond projects, and a portion of that work should also be applied to this fee. The OM unit performs limited activities for bond projects not utilizing other HCIDLA funding sources, which includes background checks during the application process. The background check costs would, under the proposed fee structure, be applied to the **Outside Issuer Application Processing Fee**. Added to the limited activities performed by the AHBP staff, these activities would result in a **\$4,249** fee, higher than the current \$3,000 fee.

An **Outside Issuer TEFRA Hearing Fee** is also recommended. Specifically, the "Coordinate with Bond Counsel" components under the TEFRA and Inducement processes should be assessed as part of a **\$644** **Outside Issuer TEFRA Hearing Fee** for such projects. HCIDLA conducted an additional analysis of whether peer jurisdictions charge this sort of fee for projects utilizing outside issuers; the practice varies across the peer jurisdictions surveyed.

BAE conducted an analysis of the costs associated with Accessibility Compliance Monitoring, as conducted by the AcHP. The results of this analysis indicate that there is a wide array of costs related to Accessibility Compliance Monitoring that have not been considered as part of the \$2,500 currently memorialized for these processes. HCIDLA incurs both one-time costs and annual costs for Accessibility Compliance Monitoring program activities. The BAE study determined that these costs are significantly higher than the current fee. One-time activities include AcHP's Policies Unit audit and monitoring during predevelopment and construction, plus predevelopment design review and construction monitoring to

ensure that accessibility features are built in compliance with HCIDLA's Accessibility standards. These activities would result in a one-time **Outside Issuer Accessibility Compliance Monitoring Fee** that is **\$65,145** – substantially higher than the \$2,500 currently memorialized in the AHBPP. This fee is justifiable, since Outside Issuers are supposed to adhere to the City's outside issuer requirements and perform the same monitoring functions that the City performs. However, especially with regards to Accessibility Compliance related to the Americans with Disabilities Act (ADA), Outside Issuers are not providing the level of monitoring needed to ensure compliance with the Voluntary Compliance Agreement (VCA), dated August 2, 2019, between the City and HUD. But, at the same time, HCIDLA will incur costs due to monitoring these outside issuer projects, without benefitting from the subsequent revenue that will be collected on an annual basis from the project as part of the Annual Issuer Fee. Therefore, in order to recover those costs, HCIDLA must charge fees commensurate with the work performed.

### Occupancy Monitoring Program

HCIDLA's OM unit monitors affordable housing units in the City for compliance with regulatory agreements and affordability covenants and restrictions; and pursuant to federal, state, and local requirements. City contract C-134780 with Urban Futures Bond Administration is maintained to conduct the annual monitoring of all of HCIDLA's built units, and City staff time is required to conduct and respond to audits, administer this contract, review and approve property management plans, maintain project data, respond to owner/tenant/public inquiries, and amend or terminate regulatory agreements as necessary.

As of May 2020, OM and their contractor monitored an affordable housing inventory of 45,875 units. Currently, OM receives cost recovery fees for 12,883 units with Land Use Covenants ("Land Use" units) via the annual Land Use Fee under Section 19.14 of the Los Angeles Municipal Code (LAMC). The remainder of the HCIDLA inventory – 32,992 units – is monitored with minimal OM cost recovery fees charged to developers or owners. The Annual Issuer Fee for bond deals is the only fee charged to recover staff costs associated with non-Land Use work.

### ***OM Fees Impact***

BAE's calculated OM fee amount is based upon the proportional cost of monitoring each unit in HCIDLA's loan portfolio (with some units exempted, as described in detail below). Unfortunately, the fee study also illuminated several considerations that challenge the wisdom of pursuing implementation of the fee at this time:

1. It would take years, if not decades, for a new OM fee to generate enough revenue to recover any substantial portion of the cost of conducting OM work;
2. The work needed to create the fee collection and accounting system, and associated administrative costs, would not be recovered by fee revenue for at least two years;
3. Any annual fee levied on the projects monitored by OM would be only payable once the projects are constructed and in service; and,
4. This annual fixed fee would also add a new annual expense to the projects; resulting in less net income available to leverage private debt. This in turn would potentially require HCIDLA to provide that same project with a larger subordinate loan to cover the gap funding.

The City must weigh the value of assessing an OM Fee at this time, given the low percentage of cost recovery for the foreseeable future; the resultant cost burden on the projects and reduction of private financing leverage; and the potential effect that might have on the City's broader commitment to encouraging the production of affordable housing. Based upon all of this, HCIDLA is not recommending the implementation of any fees for the OM Program at this time.

### ***OM Fee Study Process***

BAE conducted a comprehensive analysis of OM's work to identify fees that could be charged to developers and/or owners on a per-unit basis. A different methodology was instituted for the OM fee study than was used for the AHBP study (Attachment D). While most of AHBP's work is transactional in nature and can be quantified by tasking out the work to calculate a per-project cost, OM's monitoring activities are ongoing and recurring in nature. Procedures must align with each individual project's multiple funding sources and related regulatory requirements, and broader practices must align with industry standards. As such, there tends to be a high occurrence of work in the OM unit that is more administrative in nature and cannot be quantified by its relation to a single task. In addition, fees cannot be charged on a per-project basis as they are with AHBP – the costs related to monitoring a given project depend on the number of units contained in the property. As a result, for the fee study BAE and HCIDLA backed into the per-unit cost of the work, using data available for all units currently in the affordable housing portfolio, as well as data collected for all units anticipated to be placed into service through June 30, 2023.

To determine a per-unit cost recovery fee for Occupancy Monitoring, BAE worked with HCIDLA staff to develop a set of budget assumptions that could be applied for three fiscal years - from July 1, 2020 through June 30, 2023. During this three-year period, it is assumed that the fee would remain at the same amount. The HCIDLA affordable housing portfolio, which again consisted of 45,875 units in FY 2019-2020, was projected to increase annually by between 1,400-1,600 new units per year, resulting in a projected 50,489 units by FY 2022-2023. These projections were based on the number of new housing units projected to receive a Certificate of Occupancy from FY 2020-21 through FY 2022-23.

### ***OM Fee Determinations***

Not all of the aforementioned 50,489 units can be charged an OM fee. Based on current HCIDLA policies, there are five types of units in the OM portfolio that would be exempted from the potential fee, or that would not be anticipated to contribute a fee, as follows:

- 1) Existing HCIDLA units – Existing HCIDLA units would be exempt from a potential OM fee since they are subject to active Regulatory Agreements that were not negotiated to include a cost recovery fee for OM services, and therefore would not be subject to any new ordinances created to levy such fees.
- 2) New Land Use units – Land Use units pay an annual *Affordable Housing Covenant Monitoring* fee per LAMC Section 19.14, which covers occupancy monitoring activities. Land Use monitoring activities require higher levels of staff expertise and more staff time than typical units. The costing method for the Land Use fee is based on hourly costing versus the total program fee per unit analysis that was conducted for the purposes of this study.
- 3) Special Needs Units – Special needs units, which are inclusive of supportive housing, are exempt from paying the Land Use fee per LAMC Section 19.14(b); and given this existing precedence would likely be similarly exempted from an OM fee.



- 4) Units financed on bond-only developments with outside issuers – Bond-only financed projects where HCIDLA is not the bond issuer would also be exempt from the OM fee because outside issuers conduct most of their own occupancy monitoring. There are limited ongoing activities that could be assessed as part of a larger Annual Issuer Fee under the AHBP; but since cost recovery for related activities are proposed instead as part of the one-time Outside Issuer Accessibility Compliance Monitoring fee, these units would not be subject to the OM fee.
- 5) Acquisition/Rehabilitation units – BAE excluded acquisition/rehab units from their revenue projections because they looked at two years of data and these types of projects are typically funded as bond-only (see item 4, above) or re-syndications that could be subject to existing Regulatory Agreements. Only one non-bond project of this nature came up in the data, and it was a supportive housing/land use project. As such, although these units are not necessarily exempt in of themselves, it is reasonable to assume that the projects will likely fall under some other exemption.

As a result of these limitations, BAE's analysis assumes that only new units coming into HCIDLA's portfolio, which are not Land Use units and not supportive housing, would be charged the fee. The majority of new units coming into the portfolio are Land Use, supportive housing, or both.

The OM budget was analyzed for two operating scenarios:

- 1) Scenario 1 assumes that staffing would remain as currently organized and would generate total revenue as follows: \$72,522 in FY 2020-21 (if assessed throughout the year, which at this point is not a realistic assumption); \$134,027 in FY 2021-22; and from \$164,154 to \$173,838 in FY 2022-23. This is based on the estimated annual cost per unit for occupancy monitoring activities not funded by Land Use fee revenue, approximately \$86.47-\$86.75 per unit. ***Note, this scenario assumes that fee collection would be administered by existing staff. HCIDLA does not currently have the capacity to collect a new fee – current vacancies would need to be unfrozen to create the capacity to conduct this task.***
- 2) Scenario 2 assumes that one full-time accountant position authority would be added to administer the fee and would generate revenue as follow: \$73,708 in FY2020-21 (if assessed throughout the year, which at this point is not a realistic assumption); \$136,218 in FY2021-22; and \$161,343 to \$170,851 in FY 2022-23. This is based on the estimated annual cost per unit for occupancy monitoring activities not funded by Land Use fee revenue, approximately \$87.89-\$88.17 per unit. ***Note, the cost of adding an Accountant equals \$142,493 in FY21 and would exceed the projected revenue for at least the first two years of fee implementation.***

No matter which scenario is used, these revenues would cover between 2.5 and 6.3 percent of OM's non-fee funded expenses annually (Attachment E).

## **FISCAL IMPACT**

Additional revenue from the increased fees are expected to reduce HCIDLA's dependence on the General Fund. Fees collected as part of the Affordable Housing Bond Program will continue to be deposited into the Municipal Housing Finance Fund (MHFF).

Prepared By:



BRITTANY BATONG  
HDB Operations Manager

Reviewed By:



ANDRE' PERRY  
Community Housing Programs Manager  
(Bonds & HHH)

Reviewed By:



EDWIN GIPSON  
Director of Development & Finance

Reviewed By:



SEAN L. SPEAR  
Assistant General Manager

Approved By:



ANN SEWILL  
General Manager  
Housing+Community Investment Department

#### ATTACHMENTS:

- Attachment A: AHBP Fee Study BAE Narrative Report
- Attachment B: Proposed Bond Fees for Standard Bond Projects
- Attachment C: Proposed Bond Fees for Projects Utilizing Outside Issuers
- Attachment D: OM Fee Study BAE Narrative Report
- Attachment E: OM Staff Costs Summary



**ATTACHMENT A: AHBP FEE STUDY - BAE NARRATIVE REPORT**

**bae** urban economics

**Staff Costs Fee Study:** Affordable Housing Bond Program

Prepared for the Housing and Community Investment Department of the City of Los Angeles  
June 30 2020

# bae urban economics

June 30, 2020

Brittany Batong  
Housing Development Bureau, Operations  
Housing & Community Investment Department (HCIDLA)  
City of Los Angeles  
1200 West 7<sup>th</sup> Street  
Los Angeles, CA 90017

Dear Brittany:

Attached please find the updated AHBP Fee Study. This version includes an assessment of OM and AcHP additional costs.

Sincerely,



Matt Kowta, MCP  
Managing Principal



Lisa Varon, MAUP  
Vice President

## San Francisco

2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

## Sacramento

803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

## Los Angeles

448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

## Washington DC

700 Pennsylvania Ave. SE, 2<sup>nd</sup> Floor  
Washington, DC 20003  
202.588.8945

## New York City

234 5<sup>th</sup> Ave.  
New York, NY 10001  
212.683.4486

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# EXECUTIVE SUMMARY

The following Executive Summary highlights BAE's key findings from each section of the report. Next, the summary provides HCIDLA with a set of Fee Policy Considerations and recommended Fee levels based on a synthesis of the Staff Cost Analysis and Peer Agency Surveys.

The data and interview documentation that BAE collected and analyzed for the Staffing Analysis and Peer Survey are provided as Appendix A, B, and C.

## Key Findings

- Current fee levels fully recover costs for four out of six AHBP work activities:
  - Cost of (Bond) Issuance Fees (third-party costs covered by borrower);
  - Initial Issuer Fee;
  - Annual Issuer Fee; and
  - Consent, Approval, Transfer, Amendment and Waivers Fees.
- Current fee levels *do not* fully recover costs of two AHBP work activities:
  - Application Processing Fee; and
  - TEFRA Hearing Fee
- The cost structure for AHBP fees is generally aligned with those of peer jurisdictions and, if increased appropriately, could still remain in line with industry standards.
- HCIDLA could reasonably recover the cost of processing applications and partially recover TEFRA Hearing Fees and Annual Issuer Fees, and still remain in line with fee levels of Statewide bond issuers.
- AHBP costs associated with certain monitoring activities and accessibility compliance are not currently recovered.

# FEE POLICY CONSIDERATIONS AND RECOMMENDATIONS

This study has identified the following possibilities for changes to the current HCIDLA bond fee rates and policies:

1. **Application Processing Fee**

**Current Fee:** \$3,000 per application

**Study Cost Findings:** \$4,607 per application

**Recommendation:** HCIDLA could reasonably increase its minimum Application Fee from \$3,000 to a range from \$3,000 to \$17,500 to be within the peer jurisdiction range but would need to stay within a range of \$4,000 to \$5,000 to match with Statewide Issuers.

2. **TEFRA Hearing Fee**

**Current Fee:** \$3,000 per project

**Study Cost Findings:** \$4,001 per project

**Recommendation:** HCIDLA could reasonably increase this flat fee to recover costs given that the Hearing Fee is less than the estimated activity cost. Peer jurisdictions do charge developers for newspaper postings, but not necessarily for staff time associated with the hearings. BAE was unable to garner this specific information from the peer jurisdictions. Statewide Issuers do not have TEFRA Hearing costs, as the responsibility for the TEFRA hearing rests with the member jurisdiction where the project receiving financing is located.

3. **Initial Issuer Fee**

**Current Fee:** 25 basis points of the construction bond amount

**Study Cost Findings:** \$30,103 per project

**Recommendation:** Establishing minimum and maximum fees for the Issuer Fee is an approach that could guarantee full cost recovery while also offering predictable and reasonable fees to the developer community. Under the current 25 basis point fee, three out of the 14 bonds that closed in calendar year 2018 were too small to recoup costs. Among peer jurisdictions, only Contra Costa County has established a minimum \$5,000 and maximum \$75,000 Issuer Fee. Alternatively, HCIDLA could bifurcate its fee structure for deals below and above \$20 million, to match the statewide issuers. This approach involves charging one Issuer Fee rate for all deals up to \$20 million, and then charging a second, different, rate for the amount bonds that exceed \$20 million. For example, CalHFA describes its Issuer Fees as follows:

- Greater of \$15,000 or 0.20% (e.g. 20 basis points) of the bond amount if less than \$20 million.



- If more than 20 million: \$40,000 + 0.10% (e.g. 10 basis points) of the bond amount above \$20 million.

HCIDLA could choose to establish minimums, like CalHFA, although not all of the statewide issuers have taken this approach to the Issuer Fee.

#### 4. Annual Issuer Fee

**Current Fee:** The greater of 12.5 basis points of the permanent principal amount of the bonds, or \$2,500 annually

**Study Cost Findings:** \$2,750 per project

**Recommendation:** HCIDLA may want to increase its *minimum* Annual Fee to recover costs but not necessarily increase the basis point calculation of the bond amount. Peer jurisdictions' minimums range from \$2,500 (HCIDLA) to \$10,000 (San Diego). Only two peer jurisdictions do not require minimum Annual Fees, and one of those jurisdictions (Sacramento) charges 15 basis points per bond amount for its Annual Fee. The statewide issuers have established Annual Fee minimums ranging from \$4,000 to \$7,500. Typically, bond amounts decrease substantially from the construction to permanent financing phases. The construction bond amount is often paid down by other permanent financing sources that are offered at better long-term rates and conditions. Therefore, the annual fee paid is based on a significantly smaller bond amount. If HCIDLA increases the Annual Fee rate beyond the current rate of 12.5 basis points of the bond amount, it would be at this highest percent charged with Sacramento. The current fee rate of 12.5 basis points is also more than double the five basis points charged by statewide issuers.

#### 5. Consents, Approvals, Transfers, Amendments and Waivers

**Current Fee:** Equal to the greater of \$5,000 or 0.125 percent of the principal amount of the relevant bond issue

**Study Cost Findings:** \$6,545 per requested transaction

**Recommendation:** The wide range of permanent bond amounts among projects and decreasing bond principal over time (which is the basis for this fee calculation), are the biggest challenges regarding cost recovery for this work activity. For a more predictable cash flow from these activities, HCIDLA could establish flat fees for each transaction type, and/or bifurcate the fee minimums based on whether or not a project's bond amount could achieve cost recovery. On average, assuming that these activities occur during the permanent stabilized phase of a project, the current fee would cover costs for projects with bond balances of \$5.24 million and above. Programmatically, it could be difficult for projects with low cash flow (such as special needs or small developments) to pay higher fees later in their regulatory terms when project expenses may begin to outstrip project revenue.

#### 6. Cost of Issuance (no cost estimate): Both peer jurisdictions and statewide issuers charge projects for the costs associated with bond issuance that use the services of

third-party consultants. One unknown is whether or not statewide issuers use different or more types of third-party consultants, and whether or not the costs charged to projects is the same.

7. **Changes to Fees Charged to Statewide Issuers:** HCIDLA could change the way it charges Statewide Issuers for bond deals. First, HCIDLA could reduce the application and TEFRA hearing fees to reflect that the Statewide Issuers take on many of these responsibilities to total **\$4,249 for application processing and \$644 for TEFRA processing fees**. Second, HCIDLA could charge for the costs associated with **accessibility compliance review for a total of \$19,111 per project and for accessibility and construction monitoring for an average of \$46,034 per project**.

# INTRODUCTION

## Fee Study Purpose and Background

The goal of this Fee Study is to assist the Housing and Community Investment Department of the City of Los Angeles (HCIDLA) in updating the cost recovery fees that the Affordable Housing Bond Program (AHBP) charges to participating developers and owners.

As a department within the City of Los Angeles, HCIDLA is asked to periodically re-assess its fees to determine the level of cost recovery for each unit's total operating expenses. The AHBP most recently reviewed its expenses and established its fees in April 2005, as approved by the City Council and the Mayor and originally memorialized in the *City of Los Angeles Housing Department Multi-Family Bond Policies and Procedures*. The same fees were continued when the document was updated as the *Affordable Housing Bond Policies and Procedures (AHBPP) for Private Activity Bonds for Multifamily Rental Properties*, approved September 2019.

This Fee Study analyzes the cost of the AHBP work, the cost and fees charged by peer jurisdictions, the fees and activities of statewide issuers, and costs of additional services performed by HCIDLA for bond projects during the predevelopment, construction, and in-service phases of their development. This information is provided for HCIDLA to determine the appropriate balance between achieving a reasonable level of cost recovery, falling within market standards for fees, and remaining competitive so that it can increase production and steward local affordable housing projects at its desired level of oversight.

The AHBP carries out HCIDLA's responsibilities as the City's primary issuer of multifamily tax-exempt housing bonds. These bonds are a primary source of funds that finance the construction of new affordable housing in the City of Los Angeles. This study analyzes HCIDLA's direct, indirect, and overhead costs associated with the operations of the AHBP, benchmarks AHBP fees and activities within a group of peer jurisdictions and assesses AHBP fees and activities in relation to statewide bond issuers that sometimes compete with HCIDLA for bond deals.

AHBP works within the context of HCIDLA's broader efforts to preserve, finance and maintain the quality of the City's deed-restricted and rent stabilized housing stock. AHBP is a unit within the Development and Finance Division of the Housing Development Bureau (HDB). The HDB oversees affordable housing production, which creates long-term, deed-restricted, affordable rental housing for low- and very-low income households by providing gap financing to new construction or rehabilitation developments by leveraging federal, state, and other local funding resources. This financial leveraging includes blending HCIDLA loan products with multifamily bond financing, when possible and appropriate.

Affordable housing bond projects fall into four categories with respect to the type of City financing that is invested in addition to the bond:

- 1) Funded by the Affordable Housing Trust Fund (AHTF) monies, a funding pool of various resources generally allocated as part of the Affordable Housing Managed Pipeline (AHMP) Call for Projects process;
- 2) Funded with Proposition HHH Supportive Housing Loan Program (HHH);
- 3) Funded with a combination of AHMP/AHTF and HHH; and
- 4) Bond-funded with no City loans. Projects funded by AHMP/AHTF loans, HHH loans, or both must abide by a 55-year affordability covenant, pay three percent simple interest on any loans, and agree to paying HCIDLA a pro-rata share of residual receipts<sup>1</sup> as well as an equity share of the appreciation if the property is sold under certain circumstances. The funds collected from interest, residual receipts and equity share are directed to new loans and program administration. Bond-funded projects with no City loans pay the city up-front fees associated with bond issuance, as well as annual fees related to the direct costs incurred by the AHBP (documenting annual bond fees, preparing mandated annual conduit reports, etc.), but are not currently required to pay cost recovery fees associated with occupancy and compliance monitoring.

While HCIDLA is required to issue all bonds in the City of Los Angeles, statewide bond issuers do finance projects by City Council approval. Therefore, this report provides an overview of the five statewide bond issuers presently working in Los Angeles. These include one Housing Financing Agency (HFA) and four conduit issuers established as joint powers authorities. Some policies are in place that can limit the use of outside issuers for bond issuances, such as the requirement that projects utilizing HCIDLA gap financing must utilize HCIDLA as the bond issuer. HCIDLA has established such policies to ensure that developers and owners comply with loan, regulatory, occupancy, and fair housing requirements. HCIDLA sees its role as a strong and necessary local stakeholder committed to stewarding the health of each building, with a particular eye toward project stability and longevity as an asset for the residents of Los Angeles.

HCIDLA conducts additional occupancy and accessibility monitoring that statewide issuers do not conduct yet the City does not currently recover the costs of conducting this work. Therefore, the costs of these activities are essentially borne by various City affordable housing sources and the General Fund. For accessibility staff review project design, monitor

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<sup>1</sup> E.g. cash flow remaining after repayment of principal, accrued interest, and allowable deductions for approved debt payments, operating and replacement reserves, operating expenses, supportive services, asset management, and deferred developer fees.

construction for installation of accessibility features, and monitor operations to ensure that those features are maintained. At early project underwriting and feasibility, the occupancy program does a background check to ensure that underwriting standards are met for a project's financial positioning.

Even though HCIDLA competes with statewide bond issuers for projects, the relationships between these entities are collegial. HCIDLA sometimes faces staff capacity issues for bond issuances (which are time-bound) and, in such instances, a competitor may be the issuer on a deal. Throughout California, statewide bond issuers play an important role in the development and financing of affordable housing. Many local jurisdictions lack the technical knowledge and financial authority to issue and then meet the legal and fiduciary compliance requirements of private activity bonds. Statewide issuers offer expertise to facilitate these bond-financed developments and, by the nature of their joint powers authorities, are not limited to working in certain geographies.

For context, it is worth acknowledging that both HCIDLA and the Housing Authority of the City of Los Angeles (HACLA) are in the early phases of creating HFAs. HCIDLA is seeking to base its HFA on model similar to the New York City Housing Development Corporation. The establishment of an HFA would provide HCIDLA with the opportunity to create additional financing instruments for the construction of affordable housing and to access national public finance markets.<sup>2</sup> To be successful in the national market, the HFA's financing products would need to offer competitive fees, terms, and conditions.

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<sup>2</sup> 2018-2021 Strategic Plan, City of Los Angeles, Housing and Community Investment Department, p.8. Retrieved from [https://hcidla.lacity.org/system/files\\_force/documents/hcidla\\_fy18-21\\_strategic\\_plan.pdf?download=0](https://hcidla.lacity.org/system/files_force/documents/hcidla_fy18-21_strategic_plan.pdf?download=0)

## Report Overview

To determine the costs associated AHBP operations, and to understand the program's activities in light of its peers and potential competitors, this Fee Study includes the following elements:

- A **Staff Activities and Administrative Costs Analysis** that identifies work activity categories, and that quantifies the time and cost of tasks performed by AHBP staff.
- A **Peer Jurisdictions Cost Recovery Survey** that provides an overview of the methods by which other California jurisdictions charge fees associated with tax-exempt multifamily bond programs.
- A **Statewide Bond Issuers Survey** that provides an overview of the methods by which bond issuers working throughout California—and sometimes in the City of Los Angeles— charge fees associated with their tax-exempt multifamily bonds.
- An analysis of additional HCIDLA Monitoring Costs associated with the AHBP, including those incurred by the Occupancy Monitoring and Compliance program and the Accessible Housing Program.
- A set of **Fee Policy Considerations** that synthesize the staff cost analysis and peer agency survey, including the BAE team's recommendations based on experience and knowledge of the field. The **data and interview documentation** that BAE collected and analyzed for the Staffing Analysis and Peer Survey are provided in the appendices.

## Methodology

To determine the costs associated with AHBP operations, BAE researched direct and indirect staffing costs that HCIDLA could potentially recover in the form of fees charged to developers and owners (e.g., 'cost recovery fees'). The **Staff Activities and Administrative Costs Analysis (Staffing Analysis)** itemizes and calculates costs for AHBP activities necessary to process affordable housing tax-exempt bond financing. Specifics of the Staffing Analysis methodology are provided in the Staffing Analysis section of this report. The **Peer Jurisdictions Cost Recovery Survey (Peer Survey)** identifies the scope, costs, and fee recovery approaches of similar municipal and state affordable housing bond programs in California. BAE interviewed a total of seven jurisdictions and agencies for the Peer Survey. The **Statewide Bond Issuers Survey** collected and compares HCIDLA fees and bond issuances to four bond-issuing entities that work throughout the State of California and are known to conduct business in the City of Los Angeles. Specifics of the peer jurisdictions and Statewide Bond Issuers surveys are provided in the associated sections of this report.

# AHBP STAFF ACTIVITIES AND ADMINISTRATIVE COSTS ANALYSIS

This section of the report analyzes staff activities and tasks associated with direct, indirect, and overhead costs for the AHBP program. The program was studied on a cost basis for actual tasks necessary for AHBP to process multifamily tax-exempt housing bonds.

## Methodology

BAE worked with AHBP management to outline the relevant Staff Activities and Administrative Costs for each unit, which encompassed the following steps:

- Step 1: Define relevant tasks and document hours spent on each task.
- Step 2: Calculate the cost of each task.
- Step 3: Categorize tasks into work activity categories for which fees could be charged.
- Step 4: Review work activity categories to determine the frequency by which fees should be charged for each.

### *Step 1: Define tasks and document hours spent on each task.*

AHBP staff identified relevant tasks and estimated the hours needed to complete each task. The AHBP managers then interviewed personnel to assess and confirm the hours logged for each task. BAE reviewed the tasks with the AHBP managers to identify inconsistencies or redundancies.

### *Step 2: Calculate the total cost of each task.*

To calculate the total cost of each task, BAE used the following formula:

Direct Costs + Indirect Costs (including Overhead) = Total Cost

For total direct costs, BAE added the amount of time spent on each task per position, expressed in hours, and then multiplied the total hours by the fiscal year 2020-21 hourly salary rates provided by HCIDLA for each staff position.

To calculate indirect costs, BAE applied the following indirect cost rates furnished by HCIDLA staff to the total direct costs:

- 1) Indirect Costs at 67.35 percent;
- 2) Allocated Lease and Parking at 15 percent;
- 3) Other Allocated Costs specific to AHBP at 2.04 percent; and
- 4) The City's General Administration Support Program (GASP) rate for AHBP, which estimates overhead, at 22.86 percent.

*Step 3: Organize tasks into work activity categories for which fees could be charged.*

BAE worked with AHBP management, as well as other HCIDLA finance and operations staff, to define “work activity categories” for associated tasks that could be charged as one fee to developers and owners.

*Step 4: Review work activity categories to determine how and when certain fees should be charged.*

BAE and AHBP staff then reviewed the work activity categories to determine which were appropriate to be charged as annual fees, and which were appropriate to be charged as single activity fees.

## **Current AHBP Fees**

HCIDLA’s Multifamily Bonds and Procedures and were established in April 2005 and specifies the following six cost recovery fees associated with work activities of the AHBP unit:

1. **Application Processing Fee** of \$3,000 per application.
2. **TEFRA Hearing Fee** of \$3,000 per project.
3. **Costs of Issuance Fee** of up to two percent of the proceeds of the tax-exempt bond issue from the proceeds, with any costs higher paid by other sources.
4. **Initial Issuer Fee** of 25 basis points (0.25 percent) of the bond amount.
5. **Annual Issuer Fee** at 12.5 basis points (0.125 percent) of the original principal amount of the bonds, adjusted upon construction completion to be equal to the greater of 12.5 basis points of the permanent principal amount of the bonds, or \$2,500 annually.
6. **Consent Fee, Approval Fee, Transfer Fee, Amendment Fee, and Waiver Fee** equal to the greater of \$5,000 or 0.125 percent of the principal amount of the relevant bond issue.

## **Program Description**

AHBP executes HCIDLA’s responsibilities as a conduit issuer of multifamily tax-exempt housing bonds for qualified developments located in the City of Los Angeles. As a conduit issuer, HCIDLA is essentially a lender to developers who bear full obligation for the repayment of the bonds. To implement the program, City staff time is required for application and due diligence review, financial underwriting, preparation of legal and policy documents, conducting public meetings and hearings, preparation of loan, regulatory, and covenant documents, participation in loan closings, and subsequent mandated reporting. Additionally, in recent years, the AHBP staff has supported the Loan Portfolio unit with Measure HHH underwriting, the costs for which are not accounted for in this Fee Study.



The AHBP staff coordinates bond issuances on a project-by-project basis with the Housing Committee, City Council, public and private partners, lenders and investors, which include the Housing Authority of the City of Los Angeles (HACLA), the Los Angeles Community Development Authority (LA County), the United States Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (HOME), the California Tax Credit Allocation Committee (CTCAC) low income housing tax credit program, and the California Debt Limit Allocation Committee (CDLAC) tax-exempt bond program.

Long-term annual monitoring of tax-exempt bonds is also a responsibility of AHBP. The program is charged with monitoring the bond financing for as long as the covenant remains in place. Ongoing bond financing monitoring consists of preparing annual conduit reports to the City Controller, preparing annual reports to CDLAC, responding to internal inquiries from third parties such as Bond Counsel or Trustees, and collecting fees. Included in these reports are certifications from the owners stating that the properties are occupied with income-qualified households. This monitoring activity differs from the HCIDLA Occupancy Monitoring ("OM") program scope of work for bond-financed housing units, which consists of occupancy, income, and household size verifications, and physical inspections.

## **Workload**

In calendar year 2018, AHBP reviewed 22 applications for multifamily tax-exempt housing bonds and submitted 21 of the applications to CDLAC. AHBP closed construction financing for 14 bonds at values ranging from approximately \$5.8 million to \$180 million (Table 1). To calculate percentage-based bond fees, BAE averaged the bond amounts for closed bonds, and removed one outlier from the set. The Grand Avenue projects, developed by The Related Companies, closed a \$180 million bond in 2018. This bond amount is significantly higher than the next highest bond that closed in 2018, which was approximately \$32 million. Removing this project as an outlier, BAE analyzed a total of 13 bond projects with amounts ranging from \$5.8 million to \$32 million, for an average closing bond amount of approximately \$17.8 million.

Additionally, Table 1 indicates the anticipated permanent bond amount for each project. In a typical bond deal, the construction bond amount is higher than the permanent bond amount. Other sources of project financing, usually those not comfortable with construction risk, will 'take out' the bond financing once the project is complete and occupancy is stabilized. Average bond amounts decrease significantly from the construction to permanent phases. Removing the outlier Grand Avenue, HCIDLA 2018 projects decrease from an average bond amount of \$17.8 million during construction to an average bond amount of \$6.6 million during permanent operations. Later in this report, permanent bond amounts will be used to calculate fees for activities and transactions that typically occur during a project's permanent operations phase, such as annual issuer reporting.

**Table 1: HCIDLA Bond Closings, Calendar Year 2018**

<b>Project Name</b>	<b>Closed Construction Bond Amount</b>	<b>Anticipated Permanent Bond Amount</b>
Grand Avenue, Parcel Q	\$180,000,000	\$184,260,433
SP7 Apartments	\$32,007,814	\$3,211,100
Flor 401	\$29,431,055	\$4,970,000
McCadden Campus Senior Housing	\$25,000,000	\$7,250,000
Sun Valley Senior Veterans	\$24,980,000	\$2,400,000
West Third	\$23,000,000	\$11,229,101
Jordan Downs - Series A-1 and A-2 (a)	\$16,450,000	\$16,200,000
Jordan Downs - Series A-2 (a)	\$16,200,000	(see above)
RISE Apartments	\$16,295,000	\$5,610,700
Aria Apartments	\$14,500,000	\$4,600,000
Casa del Sol	\$11,718,017	\$1,995,000
Harmony Gates	\$9,000,000	\$5,700,000
McCadden Plaza Youth Housing	\$7,000,000	\$1,770,000
Western Avenue	\$5,800,000	\$20,857,890
Total	\$411,381,886	\$270,054,224
Average (of 14 projects)	\$29,384,420	\$19,289,587
Average without Grand Avenue (of 13 projects)	\$17,798,607	\$6,599,522

Note:

(a) Jordan Downs is financed as one bond but has two phases that HCIDLA counts as two closings/projects.

Sources: HCIDLA, 2020; BAE, 2020.

## Program Staff

A total of 11 full-time staff are assigned to the AHBP unit. The staff includes:

- One Management Assistant
- Three Management Analysts
- Four Finance Development Officer I positions
- Two Finance Development Officer II positions
- One Rehabilitation Project Manager

In addition, a number of HCIDLA management staff allocate a portion of their time to reviewing bond-related documents and issues. Management positions considered in the Staffing Analysis are the Community Housing Program Manager, Director of Housing for the Development and Finance Division, Department Chief Accountant, Assistant General Manager overseeing the Housing Development Bureau, and the General Manager.

## Cost Findings

As the local issuer of tax-exempt multifamily housing bonds, AHBP reviews applications, conducts required public hearings, and prepares regulatory and financing documents associated with the bonds. AHBP staff also oversee each affordable housing project's application to the California Debt Limit Allocation Committee (CDLAC) and conduct annual project reviews that are compiled into an annual report to CDLAC. Sometimes owners request unique transactions such as consents, approvals, transfers, amendments, and waivers, which

AHBP staff review and process. As described above, AHBP currently charges fees for its work activities, based on a fee schedule that was established in April 2005. This analysis assumes that HCIDLA will follow the same fee structure moving forward and that AHBP will process approximately 22 applications, complete 14 construction bond closings, and conduct six permanent financing conversions annually. A detailed worksheet of the AHBP work activities, tasks, subtasks, and hours is provided as Appendix A.

### **1. Application Processing Fee**

The purpose of the Application Processing work activity is for AHBP staff to conduct a complete review of the developer's application for tax-exempt multifamily bond financing. AHBP staff review the application, work with the OM unit to conduct the background check, request, and process fees, and facilitate a TEFRA/Inducement meeting with the developer.

***The cost of Application Processing is \$4,607, based on approximately 39 hours of staff time.*** Using calendar year 2018 data for the number of applications processed by AHBP staff in a year, total expenses for this activity are estimated based on 22 application reviews annually.

### **2. TEFRA Hearing Fee**

The purpose of the TEFRA Hearing work activity is for AHBP staff to complete the policy and legal steps required for bond inducement and the TEFRA Hearing. For inducement, staff coordinate with bond counsel, prepare, and route the inducement letter, and coordinate and attend the TEFRA introductory meeting. For the TEFRA Hearing, staff coordinate with bond counsel to request the TEFRA notice, coordinate with *The Los Angeles Times* to publicly notice the hearing, and coordinate, attend, and prepare minutes of the hearing. Staff also prepares a motion for City Council and routes it for internal approvals, attends the related City Council meeting, and follows up with City Clerk and CDLAC regarding the adopted resolution.

***The cost of one TEFRA Hearing totals \$4,001, based on approximately 32 hours of staff time.*** Using calendar year 2018 data for the number TEFRA hearings in a year, total expenses for this activity are estimated based on 14 TEFRA hearings annually. Sometimes, HCIDLA is able to combine TEFRA hearings and achieve cost efficiencies.

### **3. Costs of Issuance Fee**

The purpose of Costs of Issuance is to recapture the costs associated with external consultants associated with bond activities, such as bond counsel and trustees. This work activity area is not being researched as a part of this fee study. Typically, projects are required to pay these costs (from bond proceeds and other sources) directly to the external consultants.

***The cost of issuance is charged on a “time and materials” basis to each project.***

#### **4. Initial Issuer Fee**

The purpose of the Initial Issuer work activity is to account for all staff tasks associated with processing a bond after the application and TEFRA hearing, through conversion to permanent financing. These tasks include reviewing the CDLAC application submittal and overseeing the CDLAC award process, including managing the City Council bond issuance authority process, overseeing the bond closing and issuance, reviewing and processing construction draws, and converting the construction financing to permanent financing.

***The cost of the Initial Issuer work activity is \$30,103 annually.*** This cost is comprised of bond issuance, construction monitoring and draws, and permanent financing conversions. The cost of bond issuance totals \$22,085, based on 174 hours per project for 14 calendar year 2018 projects. This task area entails application reviews and submittals, and Council transmittals for Bond Issuance Authority, and closings annually. The cost of construction monitoring and draws totals \$759 per single monthly draw, assuming approximately seven hours of staff time per draw. Twelve months of construction draws for 10 projects under construction at any one time, as estimated by staff, totals 120 construction draw requests processed by staff annually. The cost of permanent financing conversions is \$3,537 each, based on 28 hours of staff time per conversion. In 2018, AHBP closed six permanent financing conversions and this figure is used to calculate total costs associated with this task.

#### **5. Annual Issuer Fee**

The purpose of the Annual Issuer work activity is to receive, process and properly document annual bond fees, and to prepare mandated annual conduit reports. This activity is conducted once a year for approximately 280 projects in the AHBP portfolio.

***The cost of the Annual Issuer work activity is \$2,750 per project per year, based on approximately 24 hours of staff time per project.*** This cost does not include compliance monitoring conducted by the OM unit.

#### **6. Consent, Approval, Transfer, Amendment, and Waiver Fee**

The purpose of the Consent, Approval, Transfer, Amendment, and Waiver work activity is to perform bond deal transactions that are not usual or specific to issuing bonds for construction. Owners may request changes to the regulatory requirements for a project at any point during its compliance period. Typically, if approved, these changes require CDLAC approval and changes to the loan and/or regulatory documents, including covenants. AHBP staff shepherd this process through HCIDLA, with bond counsel and CDLAC.

***The average cost of the Consent, Approval, Transfer, Amendment, and Waiver work activity is \$6,545 per request and resulting transaction, based on approximately 50 hours of staff time per transaction.*** Total yearly expenses for this activity are based on AHBP staff estimates that, annually, HCIDLA processes approximately eight Redemptions and Terminations, 15 Consents, and 15 Amendments, for a total of 38 transactions at the hours and cost estimated above.

After calculating staff time, direct costs, indirect costs, and overhead in each of the AHBP work activity areas, BAE compared HCIDLA's total costs against its current fee schedule, as shown below in Table 2. BAE utilized an average construction bond amount of \$17,799,000 and an average permanent bond amount of \$6,599,000 to derive estimated fees that are calculated as a percentage of the project bond. Table 2, below, shows that the Application Fee and TEFRA Hearing Fees do not recover the cost of those work activities on a per project basis.

**Table 2: AHBP Current Fees and Work Activity Costs**

<u>AHBP Work Activity</u>	<u>Fee Type</u>	<u>Current Fee (a)</u>	<u>Cost per Work Activity</u>
1. Application Processing Fee	Flat fee per application	\$3,000 (a)	\$4,607
2. TEFRA Hearing Fee	Flat fee per hearing	\$3,000 (a)	\$4,001
3. Costs of Issuance Fee	Time and materials	n/a (b)	n/a
4. Initial Issuer Fee	Percent of construction bond amt.	\$44,498 (c)	\$30,103 (d)
5. Annual Issuer Fee	Percent of permanent bond amt.	\$8,249 (e)	\$2,750
6. Consent, Approval, Transfer, Amendment, Waiver Fees	Percent of permanent bond amt.	\$8,249 (e)	\$6,545

**Notes:**

(a) All fee estimates in this table are pursuant to fees in the HCIDLA Bond Policies and Procedures, 2005.

(b) This work activity is not being researched as a part of this fee study

(c) Calculated as 0.25 percent of average construction bond amount of \$17,799,000.

(d) Calculated based on 14 construction bond closings annually, which distributes costs for 10 projects with monthly construction draws and six permanent financing conversions to those 14 projects via the Initial Issuer Fee.

(e) Calculated as 0.125 percent of average permanent bond amount of \$6,599,522.

Sources: HCIDLA, 2020; BAE, 2020.

Additionally, the data in Table 2 above show that projects with permanent bond amounts at certain levels *below the average* might not generate full cost recovery at the current fee rates. Specifically, cost recovery deficits were found for the Annual Issuer Fee and for the cost of processing requests for consents, approvals, transfers, or amendments. Assuming the Annual Issuer Fee at the study's estimated cost of \$2,750 per project, the minimum permanent bond amount needed to reach full cost recovery is \$2,200,360. Among the 2018 closings, two out of 14 projects fell below this threshold and would therefore not cover the costs of additional transactions. Assuming the Consent, Approval, Transfer, Amendment and Waiver Fee at the study's estimated cost of \$6,545 per transaction, the minimum permanent bond amount needed to reach full cost recovery is \$5,235,843. Among the 2018 closings, six out of 14 projects fell below this threshold.

#### *Annual Cost of AHBP Work Activities*

The annual cost of the identified AHBP work activities totals approximately \$1.6 million, as shown in Table 3, below. The two costliest areas of activity are Initial Issuer tasks at approximately \$421,440 annually, and mandated Annual Issuer reporting activities at approximately \$770,126 annually. Application Processing is estimated at \$96,902 each year and TEFRA Hearings cost approximately \$56,000 per year. A detailed breakdown of these program delivery costs is included in “**Alternatives**

Alternatively, HCIDLA could depart from the mainstream approaches to fees, as follows:

- |                       |  |
|-----------------------|--|
| <b>Alternative 1:</b> | <b>Charge fees to developers on a time and materials basis.</b><br>While a time and materials approach could achieve full cost recovery, charging different fees project-by-project could create a degree of uncertainty for developers.                                       |
| <b>Alternative 2:</b> | <b>Establish fee minimums for all work activity areas.</b><br>This approach ensures certain levels of cost recovery, while the current schedule only sets minimums for a few of the fees. HCIDLA would want to set minimums based on market standards provided in this report. |
| <b>Alternative 3:</b> | <b>Charge uniform flat fees instead of sizing fees on bond amounts.</b><br>Uniform flat fees could achieve full cost recovery, but developments with smaller bond amounts would be disproportionately impacted financially.  |

This report analyzed whether there is a cost basis to increase bond fees, peer jurisdictions’ fee rates, tax-exempt bond market competition in the City of Los Angeles, and costs of other HCIDLA monitoring activities associated with bond projects. Overall, this study indicates that there is room for HCIDLA to establish higher minimums and, in some instances, increase bond fees, but that peer benchmarks and market competition should be considered.

Appendix A: AHBP Staffing Matrix.”

**Table 3: Annual Cost of AHBP Program**

<b><u>Work Activity</u></b>	<b><u>Estimated Annual Cost</u></b>
Application Processing (a)	\$101,362
TEFRA Hearing (b)	\$56,009
Initial Issuer (c)	\$421,440
Cost of Issuance	full fee recovered
Annual Issuer (d)	\$770,126
Consents, Approvals, Transfers, Amendments and Waivers (e)	\$248,703
<b>Total Annual Cost</b>	<b>\$1,597,640</b>

Notes:

(a) Assumes 22 applications.

(b) Assumes 14 hearings.

(c) Assumes 14 applications, submittals, and bond closings, as well as ongoing construction monitoring of monthly, and six permanent conversion closings annually. ten projects

(d) Assumes 280 projects monitored.

(e) Assumes 8 Redemptions and Terminations, 15 Consents and 15 Amendments.

Sources: HCIDLA, 2020; BAE, 2020.

***Annual Cost of AHBP Work Activities Compared to Staffing Budget***

The projected AHBP FY 2020-21 staffing budget totals \$2,729,389 for 11 staff and two managers assigned to the program. In the Appendix, work activities assigned to the FDO I are also conducted by the Rehabilitation Project Coordinator (RPC). AHBP staffing costs associated with bond deals total \$1.6 million annually and are less than the projected FY 2020-21 staffing budget. Knowing that AHBP staff perform additional functions beyond underwriting and processing bonds, such underwriting and processing HHH and Managed Pipeline loans, this total cost calculation is appropriate and shows that almost 60 percent of costs are directly associated with bond activities. When considering future fees, the cost estimates assume AHBP will remain at this same ratio.

# PEER JURISDICTIONS COST RECOVERY SURVEY

For this fee study, BAE interviewed affordable housing staff at other California jurisdictions identified by HCIDLA regarding their fee practices for functions similar to those carried out by AHBP. BAE gathered information to analyze the extent to which current or potential cost recovery practices at HCIDLA are aligned with practices at similar tax-exempt multifamily bond issuers. A summary matrix is provided as “Appendix B: Peer Jurisdictions Information Matrix.”

## Methodology

To conduct the Peer Survey, BAE collected and compared information from peer jurisdiction program representatives regarding the number of annual applications and closings, current fee levels, whether fees are meant to cover all or a portion of total staff, consultant, and overhead costs, as well as any policy considerations and methodologies that each jurisdiction used to set the bond program fees. “Appendix C: Peer Jurisdictions Survey Questions” provides a complete list of the questions asked.

## Peer Bond Programs

HCIDLA provided BAE with a list of peer jurisdictions to survey. The peer jurisdictions bond activities and fees that are analyzed in this portion of the report are:

- City/County of San Francisco
- Los Angeles County
- Sacramento
- Alameda County
- San Diego
- Contra Costa
- Anaheim

## Peer Bond Program Fees

Table 4, below, displays the tax-exempt, multifamily bond fees charged by peer jurisdictions interviewed by BAE. In general, Issuer and Administration fees for bonds are structured similarly across agencies, with fees determined not with a cost recovery objective but more from a competitive rate perspective.



**Table 4: Multifamily Tax-Exempt Bond Fees by Agency**

	Issuer Fee (basis pts)	Annual Fee (a) (basis points)	Other Fees	
			Application Processing	Cost of Issuance (b)
<b>HCIDLA</b>	25 basis points	12.5 basis points (min \$2,500)	\$3,000	
<b>San Francisco (City/County)</b>	25 basis points	12.5 basis points (min \$2,500)	\$10,000	\$30,000-\$80,000
<b>Los Angeles County</b>	25 basis points	12.5 basis points (min \$6,000)	\$17,500	
<b>Sacramento</b>	25 basis points	15 basis points	\$12,500	
<b>Alameda County</b>	30 basis points	12.5 basis points (min \$2,500)		\$37,000
<b>San Diego</b>	25 basis points	12.5 basis points (min \$10,000)	\$3,000	
<b>Contra Costa</b>	12.5 basis points (min \$5,000 max \$75,000)	12.5 basis points (min \$5,000 max \$20,000)	\$2,500	
<b>Anaheim</b>	12.5 basis points	12.5 basis points		

**Notes:**

(a) Includes annual monitoring and compliance work.

(b) Includes costs associated with bond counsel, underwriter, trustee, financial advisor, and rating fees.

Where no amount provided, project generally required to pay these costs, w/ 2% limit on the use of bond proceeds.

Where specific dollar amounts are provided, represents a fixed amount.

Where ranges are provided, represents a "typical" range based on previous deals provided by issuing agency.

Sources: HCIDLA, Multifamily Bond Policies and Procedures, 2005; SF MOHCD Multifamily Securities Manual, 2018; Sacramento Housing and Redevelopment Agency, 2016; Contra Costa County Multifamily Mortgage Bond Financing Program, 2006; April 2019 Interviews with Los Angeles County Community Development Commission; Anaheim Housing Development Division; San Diego Housing Commission; and Alameda County Community Development Agency; BAE, 2019

HCIDLA's Bond Issuer Fee (25 basis points) and Annual Fee (12.5 basis points annually) are generally aligned with other issuing agencies.

- On the Issuance side, fees ranged from 12.5 basis points at the low end (Contra Costa County) to 30 basis points at the upper range (Alameda County). The majority of jurisdictions interviewed reported Issuer Fees of 25 basis points. Some agencies also reported "minimum" Issuer Fees for smaller projects (e.g., Contra Costa County, which reported a minimum Issuer Fee of \$5,000).

With respect to Administration and Monitoring, annual fees are 12.5 basis points across all agencies, except for Sacramento, whose fees are 15 basis points. Similar to the Issuer Fees, some agencies reported minimum Administration Fees for smaller

projects. Los Angeles County reported the highest “minimum” annual administration charge (\$6,000 per year).

If HCIDLA charged fees based on full cost recovery for Application Processing and TEFRA Hearings, for example, its fees would not necessarily be out of step with those of other agencies, as shown below in Table 5.

**Table 5: Comparative Fee Range of Bond Programs by Work Activity, HCIDLA versus Peer Agencies**

<b>AHBP Work Activity (a)</b>	<b>Fee Range Peer Agencies (b)</b>	<b>HCID Fee Calculation (c)</b>	<b>Current Fee/ Fee Estimate</b>	<b>Actual Cost Work Activity (e)</b>
Application Processing	\$3,000 to \$17,500	\$3,000	\$3,000	\$4,607
TEFRA Hearing	full cost recovery	\$3,000	\$3,000	\$4,001
Cost of Issuance	full cost recovery	2%	n/a	N/A
Initial Issuer	12.5 - 30 bp	25 bp	\$44,498	\$30,103
Annual Issuer	12.5 - 15 bp	12.5 bp	\$8,249	\$2,750
		\$5,000 or		
Consent, Approval, Transfer, Amendment, Waiver Fee	n/a	0.125% bond principal	\$8,249 (d)	\$6,545

**Notes:**

(a) Represents only those work activity areas researched as part of this fee study, as well as those *not* considered "usual or specific" by HCIDLA to general bond issuance.

(b) Stated figures represent only those interviewed agencies reporting actual dollar amounts.

(c) Based on fees as listed in the HCIDLA Bond Policies and Procedures, 2005.

(d) Based on average permanent bond amount of \$17,799,000 for 13 bond deals that closed construction financing during calendar year 2018.

(e) BAE Staff Analysis, 2019.

Sources: HCIDLA, 2019; BAE, 2019.

It should be noted, however, that Alameda County is the only agency that reported an Initial Issuer fee of 30 basis points. If HCIDLA were to follow suit, its Initial Issuer fee (expressed in basis points) would be on the high end of agencies surveyed.

**Number of Bond Deals by Agency**

Interviewed agencies report a wide range of bond deal activity each year (Table 6). Only San Francisco completed more deals than HCIDLA in the most recent reporting year (30 projects versus 21 in Los Angeles in the most recent fiscal year).

- At the upper range, San Francisco reported completing 30 deals in the most recent fiscal year, with \$1.1 billion in bonds issued.
- Los Angeles County and Sacramento each reported overseeing approximately eight deals per year on average.

- San Diego reported seven deals per year, while the other agencies reported four or fewer deals per year.

**Table 6: Bond Activity per Year by Agency**

Agency	MF Bond Activity (a)
City of LA - HCIDLA	21 deals
San Francisco - MOHCD	30 deals (Fiscal 17-18)
Los Angeles County - CDC	8 deals completed annually
Sacramento	8-10 deals completed annually
Alameda County - CDA	3-4 per deals completed annually
San Diego Housing Commission	7 deals (2018)
Contra Costa County	2-3 per deals completed annually
Anaheim	1-2 deals completed annually

Notes:

(a) Where no specific year is provided, range represents an annual estimate based on interviews with agency staff.

Sources: Agency Interviews, April and May 2019; BAE, 2019.

## Peer Bond Programs' Activities

### *Los Angeles Community Development Commission (County of Los Angeles)*

The Los Angeles Community Development Commission reported approximately eight applications to CDLAC in 2018; meanwhile, the CDC is anticipating approximately five applications in 2019.

### *Mayor's Office of Housing, City and County of San Francisco*

San Francisco reported approximately 30 bond projects completed in the most recent period available (FY 2017-18), representing a total issuance of \$1.1 billion.

### *San Diego Housing Commission*

San Diego reported approximately seven bond projects totaling 907 affordable units completed in 2018, with approximately \$180 million in bonds issued. As of the end of 2018, the Housing Commission's Bond Program administered 72 projects total, including 8,640 units at various levels of affordability.

### *City/County of Sacramento*

Sacramento reports closing approximately eight to ten bond deals per year, on average. Its current bond portfolio consists of approximately 3,463 units.

### *Costa County Department of Conservation and Development*

Contra Costa County reports closing approximately two to three multifamily bond deals per year, on average. Its current bond portfolio consists of approximately 55 projects in total. Bond fees were developed in part based on a 2010 Fee Study that looked at other issuing agencies.

*Alameda County Community Development Agency*

Alameda County reports closing approximately three to four multifamily bond deals per year, on average. Its current bond portfolio consists of approximately 17 projects in total.

*Anaheim Housing Authority*

Anaheim reports closing approximately one to two multifamily bond deals per year, on average. Its current bond portfolio consists of approximately 1,976 units.

## **Bond-Issuance Staffing**

Interviewed agencies in general had a smaller number of staffers dedicated to bond issuance itself than ongoing compliance (Table 7). After HCIDLA, Sacramento reported the highest number of staffers dedicated primarily to bond issuance, with six full-time employees. BAE did not survey for consultants or contract staff that process bonds for these agencies.

**Table 7: Bond-Issuance Staff (In House)**

	<u>In-House Staff</u>	<u>Title/Role (if provided)</u>
City of LA - HCIDLA	11 FTE	
San Francisco - MOHCD	1 FTE	Bond Issuance Expert
Los Angeles County - CDC	1 FTE 1 PTE	Principal Bond Administrator Bond Residual
Alameda County - CDA	1 FTE	Policy and Programs group
San Diego Housing Commission	3 FTE	Project Manager Housing Programs Manager Vice President
Contra Costa	1 FTE	
Anaheim	1 FTE	Housing Counselor

Sources: Agency Interviews, April and May 2019; BAE, 2019.

# STATEWIDE BOND ISSUERS SURVEY

The purpose of the Statewide Bond Issuers Survey is to assess AHBP's fees within the context of potential competition for bond deals in the City of Los Angeles. Several of the peer jurisdictions interviewed by BAE indicated that they also considered the statewide issuers' fee structures when setting their own bond program fees. However, it should be noted that these smaller joint powers authorities (JPAs) do not maintain the same stringent monitoring practices as do the agencies in Table 4, and therefore are able to keep overhead and staffing costs to a minimum.

## Methodology

For the Statewide Bond Issuers Survey, BAE reviewed the market landscape for affordable housing bonds in the City of Los Angeles and how the fees charged to developers compare amongst issuers. BAE reviewed the fee policies and calendar year 2018 California Debt Limit Allocation Committee (CDLAC) awards for four bond issuers active in the City of Los Angeles. These issuers are the California Housing Finance Agency (CalHFA), California Public Finance Agency (CPFA), California Statewide Communities Development Authority (CSCDA), and California Municipal Finance Authority (CMFA). To complete this survey, BAE's methodology included the following steps:

- Step 1: Collect and compare the current bond fees amongst issuers.
- Step 2: Analyze selected bond issuer activity in the City of Los Angeles.
- Step 3: Compare selected bond issuers' activity throughout California.
- Step 4: Identify and assess the aspects of affordable housing bond activity in the City of Los Angeles that could inform AHBP's fee structure.

The Statewide Bond Issuers Survey utilizes calendar year 2018 allocation data from CDLAC, and that data set for HCIDLA differs from the one utilized in the Staff Activities and Administrative Costs Analysis. The data used for staff and administrative costs includes applications to HCIDLA and bond closings conducted by HCIDLA during calendar year 2018. The typical order of operations for a bond deal is that a developer will apply to the issuer, then the issuer reviews and processes the application through its TEFRA hearing, after which the project applies to CDLAC for an allocation. Typically, a developer will close construction financing ("bond closing") 180 days after the CDLAC award, although extensions can be requested. BAE chose to use CDLAC data because CDLAC awards data for the statewide issuers is more easily accessible than construction closings data. Since both approaches cover typical 12-month periods and, given that there were no major bond market fluctuations or policy impacts in calendar years 2018 or 2019, BAE considers the data comparable for the purposes of understanding multifamily bond market in the City of Los Angeles.

## Statewide Issuers Bond Programs

This report section describes the business activities of each of the statewide bond issuers that the study benchmarks alongside HCIDLA to demonstrate the depth and breadth of the financing activities conducted by each institution. Overall, these statewide bond issuers count affordable housing municipal bond financing among an array of financial products that they offer to local jurisdictions, educational institutions, and non-profits to fund public benefits projects throughout California.

Three of the four statewide issuers discussed in this report were established by The Joint Exercise of Powers Act, which allows two or more public agencies to enter into an agreement to jointly exercise any power common to those public agencies. Entities established under this act have the power to issue bonds to finance public benefit projects within a member jurisdiction. Any California city, county, special district, or local agency can become a member of a joint power authority by Board resolution and execution of a joint powers agreement. Federal tax law requires that the governing body of any participating local jurisdiction must approve a project's bond issuance. Therefore, statewide bond issuers seeking business in the City of Los Angeles must garner City Council approval through the TEFRA Hearing process.

The statewide bond issuers benchmarked in this report are as follows:

### *California Housing Finance Agency (CalHFA)*

In 1975, CalHFA was chartered as State of California agency charged with working with the private sector to provide more affordable housing. CalHFA's Multifamily Division provides a variety of loan and bond products to developers of affordable housing, while its Single-Family Division offers first mortgage loans and first-time homebuyer down payment assistance. Beginning in 2009, CalHFA issued conduit housing revenue debt obligations. CalHFA is the only Housing Finance Agency (HFA) among the benchmarked cohort in this report. As such, CalHFA offers financing products that are not offered by other bond issuers profiled in this survey, including Federal program pass-throughs such as HOME and HUD Section 8, as well as home ownership and multifamily acquisition/construction loan products.

### *California Municipal Finance Authority (CMFA)*

CMFA is a joint powers authority, established in 2004 and based in Carlsbad, California. The CMFA acts as a municipal conduit issuer and assists eligible institutions in obtaining financing through the issuance of revenue bonds.

### *California Public Finance Authority (CalPFA)*

CalPFA was established in 2015, by Kings County and the Housing Authority of Kings County, as a joint powers authority. CalPFA's private activity programs include 501(c)(3) Nonprofit Bonds, Affordable Multifamily Housing bonds, Industrial Development Bonds and Exempt Facilities Bonds. CalPFA also offers municipal bonds

and other public agency financing programs. CalPFA uses its authority as a Community Development Entity (CDE) to invest New Market Tax Credits in real estate and business opportunities in low-income communities.

*California Statewide Communities Development Authority (CSCDA)*

CSCDA was established in 1988 as a joint powers authority and is sponsored by the California State Association of Counties and the League of California Cities. CSCDA's tax-exempt programs include: 501(c)(3) Nonprofit Bonds, Multifamily and Senior Housing Bonds, Industrial Development Bonds, Exempt Facilities/Solid Waste/Recycling Facilities and Equipment Bonds and Taxable Bonds. CSCDA additional finance programs include: CaLease, Statewide Community Infrastructure Program, Community Facility District Financing, Total Road Improvement Programs, Property Assessed Clean Energy Financing. CSCDA is also a Community Development Entity (CDE) that invests New Market Tax Credits.

## **Statewide Issuers Bond Program Fees**

To benchmark HCIDLA's bond program fees alongside the statewide issuers, BAE compiled publicly available information online regarding issuer fees, annual fees, application fees and other fees charged to multifamily tax-exempt bond deals. Table 8 summarizes the fees of each statewide issuer. By comparison to statewide issuers:

- HCIDLA has a higher Annual Fee rate than the statewide issuers, but a lower minimum. HCIDLA's rate of 12.5 basis points is more than double the five basis points charged by three out of four statewide issuers.
- HCIDLA's Issuer Fee is five to 20 basis points higher than the statewide issuers and does not bifurcate fee rates for bonds below \$20 million versus bonds over \$20 million, which is common practice for the statewide issuers.
- HCIDLA's Annual Fee is higher than three statewide issuers, who charge five basis points versus HCIDLA's 12.5 basis points; although all four statewide issuers set a minimum annual fee, ranging from \$4,000 to \$7,500, which is higher than HCIDLA's minimum of \$2,500.

**Table 8: Multifamily Bond Fees by Issuer**

	<b>Issuer Fee</b> (basis points)	<b>Annual Fee</b> (basis points)	<b>Application Fee</b>	<b>Other</b>
<b>HCIDLA</b>	25 basis points	12.5 basis points (min \$2,500) (a)	\$3,000	12.5 basis points (min \$5,000) (b)
<b>California Housing Finance Agency (CalHFA)</b>	18.75 basis points (min \$15,000) (c)  5 basis points (plus \$37,500) (d) (e)	5 basis points (min \$4,000)	\$5,000 (f)	3.5 basis points (g)
<b>California Statewide Communities Development Authority (CSCDA)</b>	20 basis points (min \$15,000) (c)  12.5 basis points (plus \$40,000) (d) (e)	5 basis points (min \$5,000)	\$5,000 (f)	
<b>California Public Finance Authority (CalPFA)</b>	17.5 basis points (c)  5 basis points (plus \$35,000) (d) (e)	5 basis points (min \$4,000)	\$5,000 (f)	
<b>California Municipal Finance Authority (CMFA)</b>	18.75 basis points (c)  5 basis points (plus \$37,500) (d) (e)	5 basis points (min \$4,000)	\$2,500 (f)	

Notes:

(a) Includes annual monitoring and compliance work.

(b) For HCIDLA, includes any consent, approval, transfer, amendment, or waiver requested of City.

(c) If bond amount less than \$20 million.

(d) If bond amount \$20 million or greater.

(e) Basis points apply to bond amount over \$20,000,000.

(f) Applied to issuance fee at closing.

(g) CDLAC allocation fee; \$1,200 of which is due at the time of CDLAC application submittal.

Sources: HCIDLA, Multifamily Bond Policies and Procedures, 2019; CalHFA Term Sheet May 2020; CSCDA Fee Schedule March 2019; CalPFA Fee Schedule March 2019; CMFA Fee Schedule June 2018; BAE, 2020.

## Statewide Issuers Activity in the City of Los Angeles

### 2018 CDLAC Allocations in the City of Los Angeles

BAE compiled and reviewed the calendar year 2018 CDLAC applications for projects in the City of Los Angeles. During 2018, a total seven projects in the City of Los Angeles received CDLAC allocations via statewide bond issuers. CalHFA was the issuer for four projects, with awards ranging from \$7 million to \$15 million per project, for a total of \$50.75 million awarded. CSCDA was the issuer for two projects, with awards of \$21 million and \$30 million, for a total of \$51 million awarded. CalPFA was the issuer for one project with a \$20 million award. Together, in calendar year 2018, the seven statewide bond issuer projects in the City of Los Angeles projects were awarded CDLAC allocations of \$121.75 million, or 21 percent of the total Los Angeles awards. During the same time period, HCIDLA projects were allocated \$465.53 million, which comprised 79 percent of the total Los Angeles awards.



### 2018 CDLAC Allocations Above and Below \$20 Million

Another aspect of assessing HCIDLA's competitive position for bond financing opportunities regarding the fees it charges is to compare the number of tax-exempt bond deals at values below and above \$20 million annually, which is an industry standard to distinguish "smaller" versus "larger" deals. As shown below in Table 9, three out of seven statewide issuer allocations in the City of Los Angeles reached \$20 million or above.

More broadly, Table 10, below, compares HCIDLA and statewide issuers' 2018 allocations in the City of Los Angeles against their 2018 allocations throughout California, and by award amount. Between 35 percent and 63 percent of California bond allocations awarded each issuer were \$20 million and above.

**Table 9: Statewide-Issuer Allocations within City of Los Angeles, CY 2018**

Issuer	Project Name	Project Location	Allocation Requested
Cal HFA	Curtis Johnson Apartments (Scattered Site)	Los Angeles	\$7,000,000
Cal HFA	Senator Apartments	Los Angeles	\$13,800,000
Cal HFA	San Regis Apartments	Van Nuys	\$14,950,000
Cal HFA	Metamorphosis on Foothill Apartments	Los Angeles	<u>\$15,000,000</u>
			\$50,750,000
CSCDA	LA 78 Apartments (Scattered Site)	Los Angeles	\$21,000,000
CSCDA	Miramar Tower Apartments	Los Angeles	<u>\$30,000,000</u>
			\$51,000,000
CalPFA	Hope on Alvarado Apartments	Los Angeles	<u>\$20,000,000</u>
			\$20,000,000
<b>Total Allocation: Statewide Issuers</b>			<b>\$121,750,000</b>
<b>Total Allocation: HCIDLA</b>			<b>\$465,527,404</b>

Notes:

Represents projects awarded by CDLAC final resolution in CY 2018.

Source: BAE, 2019.

**Table 10: Statewide Allocations by Issuer, Location and Award Amount, CY 2018**

Issuer	# Projects Awarded			Awards					
	City of LA (#)	Rest of CA (#)	Total Awards	Less than \$20 million		Percent of total projects	\$20 million or greater		Percent of total projects
				(total #)	(total \$)		(total #)	(total \$)	
HCIDLA	17	0	17	10	\$113,637,351	59%	7	\$351,890,053 (a)	41%
CalHFA	4	16	20	13	\$167,697,086	65%	7	\$273,605,431	35%
CSCDA	2	15	17	7	\$59,981,112	41%	10	\$414,801,976	59%
CalPFA	1	7	8	3	\$37,900,000	38%	5	\$153,802,000	63%
CMFA	0	33	33	17	\$167,463,621	52%	16	\$850,075,024	48%

Notes:

(a) The total award amount includes \$200 million allocated for the Grand Avenue development, which decreased to \$180 million at construction closing. Both amounts are considered an outliers. Removing the Grand Avenue bond allocation as an outlier, HCIDLA's CY2018 bond allocations total \$151,890,053.

Source: BAE, 2019.

HCIDLA is exploring the idea of referring smaller bond issuances to outside entities to maximize organizational capacity by focusing on larger issuances.

### ***Fee Sharing Policies***

Fee sharing policies, where a bond issuer re-distributes fees associated with a deal to the jurisdiction in which it is located, to a member jurisdiction, a non-profit associated with the development, and/or a local non-profit organization, are common practice for the statewide bond issuers. As a result, the amount of fees that they collect as revenue is reduced by the fee sharing arrangements. HCIDLA's bond policies do not include fee sharing.

#### **CalHFA**

- No fee sharing policies.

#### **CSCDA**

- Publicly available information on CCDA's does not state any fee sharing policies.

#### **CalPFA**

- Shares ten percent of the annual administrative fee collected for the term of the respective affordable housing bond with the member jurisdiction where the TEFRA hearing was conducted.

#### **CMFA**

- Shares 25 percent of all issuance fees with the member jurisdiction where the project is located.
- Grants 25 percent of the issuance fees to the California Foundation for Stronger Communities, which funds charities that are designated by the member jurisdiction.
- Directs an unspecified portion of annual fees to charitable activities in California.

### **AHBP Potential Cost Recovery for Bonds Not Issued by HCIDLA**

While the Statewide Issuers working in the City of Los Angeles do conduct the majority of tasks related to bond issuance, HCIDLA staff are responsible for processing applications, preparing materials for the TEFRA hearings, and collecting mandated information annually. Currently, HCIDLA does not charge fees to bond issuances by outside entities. HCIDLA is considering charging fees to these deals in order to recover staff costs.

BAE and HCIDLA staff reviewed the work activities and task matrix to identify which activities and how many staff hours are associated with outside bond issuances, and determined as follows:

1. **Application Processing Fee:** A cost recovery amount of \$2,925, based on 23 staff hours per application, could be charged for staff to process and review applications for all bond issuances.
2. **TEFRA Hearing Fee:** A cost recovery amount of \$644, based on five staff hours per TEFRA Hearing, could be applicable due to staff time preparing motions for City Council and managing the Council resolution through to completion.
3. **Costs of Issuance Fee:** Not applicable.
4. **Initial Issuer Fee:** Not applicable.
5. **Annual Issuer Fee:** Partial amount of \$491, based on four hours per project per year, could be applicable for staff time researching and responding to queries from HCIDLA Occupancy Monitoring or third parties.
6. **Consent Fee, Approval Fee, Transfer Fee, Amendment Fee, and Waiver Fee:** Not applicable to the AHBP program if the bond is issued by an outside agency. Fees could be charged by another HCIDLA work group, such as the Loan Portfolio Division, if the developer is asking to change the standard terms and conditions of a Housing Trust Fund loan.

# AHBP COSTS ASSOCIATED WITH OCCUPANCY AND ACCESSIBILITY MONITORING

Bond-funded properties are subject to the same long-term regulatory monitoring as other types of City-funded developments. HCIDLA monitors owner portfolio compliance, qualified occupancy, property management, and housing accessibility. Two HCIDLA program units conduct this work:

1. The Occupancy Monitoring and Covenant Program (OM) oversees occupancy and property management compliance.
2. The Accessible Housing Program (AHP) promotes, monitors, and enforces equal housing opportunities for people with disabilities.

While Statewide Issuers are required perform some monitoring functions similar to those that the City performs, they do not necessarily monitor all of the same regulations, nor do they monitor at the same frequency or level of detail as HCIDLA. For instance, HCIDLA conducts annual occupancy monitoring reviews of each covered unit to ensure the tenants are qualified and that the correct rent is charged. Outside issuers may monitor a percentage of units in each building each year, rotating the units through multi-year compliance cycles. Especially in regard to ADA compliance, outside issuers are not bound to the same legal requirements and regulatory responsibilities as the City of Los Angeles.

## Occupancy Monitoring and Covenant Program (OM)

OM divides its work into five activity areas: Background Check, New Project Set-Up/Training, Occupancy Monitoring, Public Information and Housing Listing Services, and Compliance Inquiries and Enforcement. BAE worked with HCIDLA staff to identify and calculate costs associated with two functions not performed by Statewide Issuers: Background Checks and Housing Listing Services/Public Information.

**Background Checks:** At project application, HCIDLA conducts a one-time Background Check for all Statewide Issuer bond project owners and developers. Before any new transactions can be approved, OM reviews developer and owner portfolios to determine that all properties are compliant with occupancy requirements and that any outstanding issues or complaints are resolved.

**Housing Listings/Public Information:** Additionally, HCIDLA provides information about available units to the public via the Housing Listing Service and staffs a public information and referral phone hotline and answer queries sent to the associated e-mail address. HCIDLA could charge this fee to each project annually after a Certificate of Occupancy is issued.

### ***Potential OM Cost Recovery Fees***

BAE analyzed OM costs associated with Statewide Issuer projects that do not utilize AHTF or HHH loans from the City. For this analysis, BAE provided OM staff with a template spreadsheet to track activities by task and staff classification. The Activity and Task spreadsheets identified activity areas and tasks associated with each activity, and then listed the number of hours each staff person spends to complete each task. OM staff entered estimated hours associated with various program activities and tasks into spreadsheets for each of its work groups. BAE then applied the City of Los Angeles' overhead calculations as follows: Indirect Costs (CAP 42) at 67.35 percent; Allocated Lease and Parking at 15 percent; Allocated Other Costs at 2.85 percent; and GASP at 22.86 percent. Costs were distributed based on frequencies of activities and tasks. BAE found that:

- **To recover costs associated with Background checks, HCIDLA could charge \$1,324 per project at application** (based on 15 staff hours per project).
- **To recover costs associated with Housing Listings and public information/referral, HCIDLA could institute an annual fee of \$340 per project per year** (based on a per project pro rata share of the contract amount, contract administration, and public information/referral services for projects in the HCIDLA portfolio).

### **Accessible Housing Program (AcHP)**

A summary of AcHP's activities, tasks, and estimated costs follows. These activities are currently funded through the General Fund as a part of the City of Los Angeles' Settlement Agreement (SA, effective September 5, 2016) and Voluntary Compliance Agreement (VCA, effective August 2, 2019) by which the City has agreed to bring affordable units into physical and programmatic accessibility compliance. AcHP began monitoring in March 2017 and is in the first three-year start-up phase. Currently, the AcHP portfolio consists of 45 properties under some aspect of accessibility compliance review. It is anticipated that 295 properties will be under regular review by the end of the first three-year period.

AcHP conducts the following work activities:

**Design and Construction Monitoring** is a one-time activity that occurs during the both the predevelopment and construction phases of an affordable housing project. AcHP provided different staff and consultant hours for rehabilitation versus new construction projects.

**Policy Compliance Review** is a one-time activity that occurs at project application and consists of scheduling, conducting, and preparing a Policy Compliance Review report. AcHP currently conducts the Policy Compliance Review for 45 properties annually. Sometimes the Policy Compliance Review includes rescheduling all of the parties involved for meetings and overseeing corrective actions items. Rescheduling and corrective action items are not always

conducted, though, and therefore BAE did not include them in the cost. If HCIDLA seeks to recover these costs, they could be directly charged on an 'as conducted' basis.

#### Corrective Actions

**Fair Housing Training** is conducted monthly, for a total of 12 trainings annually. Staff select owners to attend the training, coordinate and schedule the training facility, conduct the training, evaluate the training, and improve training materials based on the evaluation. Total costs for this work activity were divided across 1,133 projects in the portfolio.<sup>3</sup>

**Grievances Review** involves reviewing and processing grievances from both tenants and landlords living in HCIDLA portfolio units. Currently, AcHP handles approximately 22 grievances annually. It is anticipated that the number of grievances will increase as the program ramps up.

**Annual Monitoring** is comprised of reviewing properties physical conditions to ensure that accessibility features remain in place and functional. Currently AcHP monitors 45 projects annually, and this number is expected to increase each year.

#### ***Potential AcHP Cost Recovery Fees***

For this portion of the study, BAE provided AcHP staff with a template spreadsheet to track activities by task and staff classification. The Activity and Task spreadsheets identified activity areas and tasks associated with each activity, and then listed the number of hours each staff person spends to complete each task. AcHP staff entered estimated hours associated with various program activities and tasks into spreadsheets for each of its work groups: one spreadsheet for policy section activities and a second worksheet for the retrofit section. BAE then applied the City of Los Angeles' overhead calculations as follows: Indirect Costs (CAP42) at 67.35 percent; Allocated Lease and Parking at 15 percent; Allocated Other Costs at 2.04 percent; and GASP at 22.86 percent. This analysis calculated the operating costs for AcHP work activities as follows:

- **Policy Compliance Review totals \$19,911 per project** (based on 272 staff hours). This estimate does not account for the cost of reviewing and closing out corrective actions, which can vary widely from project to project.
- **Design and Construction review totals an average of \$46,034 per project.** Staff time is estimated at an average of 138 staff hours and this cost per project includes costs for third-party construction consultants. Staff time, and therefore costs, are more for rehabilitation projects than new construction.

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<sup>3</sup> HCIDLA portfolio includes 1,133 projects that are not subject only to land use covenants and 571 are only subject to land use covenants, for a total of 1,704 projects.

- **Fair Housing Training** totals **\$55.01 per project per year**. Staff estimate these trainings require 54 hours of staff time each.
- **Annual Monitoring** totals \$5,801 per project per year based on 80 staff hours per property.
- **Corrective Actions** review and close-out total \$12,140 per project based on 165 staff hours.
- **Grievances Review** totals \$6,019 per project with 82 staff hours per grievance.

Of the cost recovery amounts listed above, Corrective Actions and Grievances Reviews seem the most challenging to implement as set fees. The program is still gaining traction in the field, and implementation costs may reduce once the regulations are more widely understood and adopted by developers and owners. Alternatively, HCIDLA could charge “time and materials” fees to owners for these two fee categories. Lastly, Grievances are a work area where it may not be appropriate to charge cost recovery fees, even on an hourly basis. The staff time required to process a grievance and the party responsible are not always predictable or attributable.

## Summary of Potential Cost Recovery Fees for Statewide Issuers for Occupancy Monitoring and Accessible Housing Program Activities

Table 11, below, summarizes the potential ACHP and OM fees for Statewide Issuers alongside the potential increases to existing AHBP fees for all bond program participants. As a part of the application fee, Statewide Issuers developments cost \$4,249 per project. TEFRA Hearings cost \$644 per project, accessibility compliance costs \$19,911 per project and accessibility design and construction monitoring averages a cost of \$46,034 per project.

**Table 11: Potential Accessible Housing Program and Occupancy Monitoring Cost Recovery Fees for Statewide Issuers**

<u>Proposed Fees</u>	<u>Fee paid</u>	Potential AHBP	Potential ACHP	Potential OM	Total Fees
1. Application Processing Fee	Once at application	\$2,925	n/a	\$1,324 (a)	\$4,249
2. TEFRA Hearing Fee	Once at application	\$644	n/a	n/a	\$644
3. Costs of Issuance Fee	n/a	n/a	n/a	n/a	n/a
4. Initial Issuer Fee	n/a	n/a	n/a	n/a (b)	n/a
ACHP Policy Compliance Review Fee	Once at application	n/a	\$19,911 (c)	n/a	\$19,911
ACHP Design & Construction Monitoring Fee	Once at project closing	n/a	\$46,034 (d)	n/a	\$46,034
<b>Total Estimated One-Time Fees:</b>					<b>\$70,837</b>
5. Annual Issuer Fee	Annually	n/a	\$5,801 (e)	\$357 (f)	\$6,158
<b>Total Estimated Annual Fees:</b>					<b>\$6,158</b>
6. Consent Fee, Approval Fee, Transfer Fee, Amendment Fee, and Waiver Fee	As Needed	\$5,000 minimum	n/a	n/a	As needed

**Notes:**

- (a) OM per project cost of Background Check to ensure owner is in compliance on all existing properties.
- (b) OM cost of New Project Set Up in HCIDLA's various software management and tracking systems is not applicable to Statewide Issuer projects with no HCIDLA loans.
- (c) ACHP per project cost of Policy Compliance Review: scheduling, conducting, and report writing. Does not include the cost of rescheduling.
- (d) Average of design and construction monitoring costs for rehabs and new construction. Rehabilitation costs total \$49,696 per project and new construction costs \$42,371 per project.
- (e) ACHP annual cost per project for monitoring accessibility, conducting fair housing training, and handling grievances. Does not include costs associated with overseeing the Corrective Actions process.
- (f) OM per project annual cost to provide public information and referrals and housing listing service, and to conduct mandated auditing.

Sources: BAE 2020; HCIDLA, 2020.



## CONCLUSION

HCIDLA's three primary considerations for fee increases are how to achieve an acceptable level of cost recovery, Charge bond fees that are commensurate with peer jurisdictions and outside issuers; and Offer competitive fees so HCIDLA can increase its issuance of multifamily tax-exempt bonds. These three considerations may each lead to different conclusions regarding how to adjust HCIDLA's bond fee policies. HCIDLA will want to determine the relative weight of each consideration and, in particular, weigh the importance and impact of increasing future bond issuances versus achieving a certain level of fee recovery in the near term.

### **Fees Appropriate for Increases for HCIDLA Issued Bonds**

The Application Processing Fee and TEFRA Hearing Fee do not recover HCIDLA costs and can be increased to do so. These increased fee amounts would fall within a market range for both peer jurisdictions and Statewide Issuers.

### **Fees that Only Recover Costs at Minimum Bond Amounts**

The Initial Issuer Fee, Annual Issuer Fee, and Consent, Approvals, Transfer and Waiver Fee formulae are calculated as a percentage of the total bond amount. As such, whether or not these fees fully recover costs depends on the amount of the bond and the timing of each fee.

Revenue for these work activities is higher at the outset, during the construction and stabilization period of approximately two years. The bond amount for each project decreases after permanent closing when other lenders "buy out" a portion of construction bonds. In particular, for special needs and small projects with low rents and cash flow, soft lenders (local, County and State government) typically provide the majority of permanent financing on a residual receipts basis so as to lessen the long-term operating cost burden of loan payments.

To address the issue of partial cost recovery due to bond sizing, HCIDLA could establish fee minimums for these work activities that match costs calculated in this study, and/or HCIDLA could bifurcate the fee formulae for bonds under and over \$20 million (like the statewide issuers) such that smaller deals are guaranteed to pay fee amounts that fully recover costs.

### **Work Activities with Current Fees That Recover Costs**

At the current fee amounts, BAE found that AHBP is fully recovering costs for the Cost of Issuance Fee and Initial Issuer Fee. The **Cost of Issuance Fee** is billed on a time and materials basis for third-party consultants. As such, this fee will always recover costs.

### **HCIDLA Fees in Relation to Peer Agencies**

Fees charged by HCIDLA, and the recommended increases in this report, generally fall within the range of those charged by peer agencies.

## HCIDLA Fees in Relation to Statewide Issuers

In all fee categories, HCIDLA charges more than the statewide issuers, although HCIDLA does not have as many minimum fee thresholds nor does it use separate fee structures for issuances above and below \$20 million, which could guarantee the amount of revenue per project. Additionally, HCIDLA maintains more stringent monitoring practices than the statewide issuers, contributing to higher overhead and staffing costs and, accordingly, higher fees.

## HCIDLA Fees Appropriate to Increase for Statewide Issuers

HCIDLA incurs significant expenses associated with Occupancy and Accessibility Monitoring for AHBP units, that are not covered by the existing fees. HCIDLA could reorganize its fee schedule to specifically address the costs associated with Statewide Issuer deals, which may be lower in some fee categories (such as application processing), and higher in other categories (such as occupancy and accessibility monitoring).

Currently, Occupancy Monitoring and the Accessible Housing Program are paid for by funds appropriated from other affordable housing sources, the General Fund, and Land Use Covenant Fees.<sup>4</sup> If such fees are approved, HCIDLA may want to revisit these costs in a few years once the program is more broadly implemented by developers. Once the affordable housing community builds its capacity to plan for and implement the required accessibility features, it will may take less staff time oversee on a per project basis.

## Alternatives

Alternatively, HCIDLA could depart from the mainstream approaches to fees, as follows:

- |                       |  |
|-----------------------|--|
| <b>Alternative 1:</b> | <b>Charge fees to developers on a time and materials basis.</b><br>While a time and materials approach could achieve full cost recovery, charging different fees project-by-project could create a degree of uncertainty for developers.                                       |
| <b>Alternative 2:</b> | <b>Establish fee minimums for all work activity areas.</b><br>This approach ensures certain levels of cost recovery, while the current schedule only sets minimums for a few of the fees. HCIDLA would want to set minimums based on market standards provided in this report. |

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<sup>4</sup> Approximately 12,883 affordable housing units are subject to the Land Use Covenant Fee, which ranges from \$25 to \$173 per unit for Occupancy Monitoring activities.

**Alternative 3: Charge uniform flat fees instead of sizing fees on bond amounts.**  
Uniform flat fees could achieve full cost recovery, but developments with smaller bond amounts would be disproportionately impacted financially.

This report analyzed whether there is a cost basis to increase bond fees, peer jurisdictions' fee rates, tax-exempt bond market competition in the City of Los Angeles, and costs of other HCIDLA monitoring activities associated with bond projects. Overall, this study indicates that there is room for HCIDLA to establish higher minimums and, in some instances, increase bond fees, but that peer benchmarks and market competition should be considered.

## APPENDIX A: AHBP STAFFING MATRIX

See following page.

## APPENDIX B: PEER JURISDICTIONS INFORMATION MATRIX

**Table 12: Multifamily Tax-Exempt Bond Programs Information from Peer Jurisdictions**

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b>Total Number of Bond Deals (for non-HCIDLA jurisdictions includes all bond types, including General Obligation bonds for Affordable Housing).</b>	22 applications (calendar year 2018), with 21 submitted to CDLAC and 14 bond closings.	30 projects (Fiscal 17-18)  Amount issued was \$1.1 billion Almost all for 100 percent affordable and very few for 80/20	8 CDLAC applications submitted (2018)  Anticipating about 5 applications in 2019	8 to 10 deals completed annually  For gap and bond financing, pre-application process held twice per year.	3-4 per deals per year, on average  17 bond projects total in portfolio	7 deals in 2018 representing 907 affordable units  \$180,033,124 in bonds issued	2-3 deals per year, on average	1-2 deals per year, on average
<b>Monitoring Frequency (Bond Only)</b>	Annual Reports	Annual Reports	Quarterly: Occupancy Reports  Annual: Operations Reports	Monthly Reports	Per CDLAC requirements	Per CDLAC requirements	Quarterly: CCPCs and Rent Rolls Annual: CDLAC certificate  Annual Site Visits: Every three years; 10% of units	Per CDLAC requirements

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b>Fee</b>	<p>Issuer Fee: 25 basis points</p> <p>Annual Monitoring/Admin: 12.5 basis points (minimum \$2,500)</p>	<p>Issuer Fee: 25 basis points</p> <p>Annual Monitoring/Admin Fee: 12.5 basis points</p>	<p>Issuer Fee: 25 basis points</p> <p>Admin Fee: 12.5 basis points or \$6,000 whichever is greater.</p> <p>Other Fee: \$17,500 'good faith deposit' non-refundable at application for up front work Pays for County Counsel, Bond Counsel etc.</p>	<p>Application Fee: \$12,500</p> <p>Issuer Fee .25% of bond</p> <p>Annual Admin: .15% of loan amount annually</p>	<p>Issuer Fee: .30% of issuance amount</p> <p>Annual Monitoring Fee: 12.5 basis points, or \$2,500, whichever is greater</p> <p>Bond Counsel Fee: \$37,000</p>	<p>Issuer/Origination Fee: .25 percent</p> <p>Annual Admin Fee: 0.125 percent</p>	<p>Application Fee: \$25,000</p> <p>Transaction Fee: 0.125 percent; min \$5,000 max \$75,000</p> <p>Admin Fee: 0.125 percent min \$5,000 max \$20,000</p>	<p>Issuer/Origination Fee: .125 percent</p> <p>Annual Admin Fee: 0.125 percent</p>
<b>Fee Calculation</b>	<p>Established in 2005.</p>	<p>There are safe harbor rules around Bond Fees, so the fees were developed in conjunction with Bond Council.</p> <p>Conducted a Fee Justification study in conjunction with Bond Council to help justify the Fees, but they haven't done a Cost Recovery Study.</p>	<p>Bond side is "cost neutral"</p> <p>Set fees by looking at CalHFA/Align with their competitor.</p>	<p>Analysis completed two years ago concluded fees in line with other issuers.</p> <p>Original fee was \$10,000, raised to \$12,500 account for staff time. Compliance staff paid from this fund.</p>	<p>All fees were originally conceived to recover costs, but unclear whether this included Overhead in addition to Direct Costs.</p>	<p>Established "as allowed per Internal Revenue Service regulations"</p> <p>Developer responsible for payment of all costs under the financing, including annual administrative fee, as well as bond counsel and financial advisor fees.</p>		

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b>In-House Staff</b>  <b>(Bond Issuance)</b>	11 FTE	Project Managers 7-person multifamily project manager team spends a very small percentage of their time on items related to bond issuance. In addition, they are supported by one bond issuance expert and the City Attorney's office.	1 FTE Principal Bond Administrator on bonds oversees MF and SF  And 1 PT Analyst for Bonds Residual	3 Housing Finance Analysis  1 Senior Loan Officer  1 Program Manager  1 Assistant Director	For Bond Issuance, 1 Full Time Employee in the Policy and Programs group.	1 FTE –Housing Programs Manager -Oversees bond program, reporting requirements, and bond funded projects  1 FTE –Project Manager Oversees bond funded projects to closing and through construction  1 FTE – VP Oversees staff, projects, provides reports to board and council	1 FTE	1 FTE
<b>Contractors/ Consultants?</b>	Use third party Bond Counsel and financial advisor.		Use third party financial advisor and Bond Trustee Paid out of closing and part of good faith effort.	Bond Counsel – paid by project Loan Servicer – paid from bond funds	Yes, outside Counsel, etc.	Housing Commission Bond Counsel and financial advisor		

# APPENDIX C: PEER JURISDICTIONS SURVEY QUESTIONS

## Affordable Housing Bond Program Questions

1. Affordable Housing Bond Program Overview
  - a. What does your agency's scope of work for your affordable housing Bond Program entail?
  - b. How many staff work in your bond unit and what are their roles?
  - c. How many Bond applications does your agency receive annually?
  - d. How many Bond closings does your agency complete annually?  
How many completed properties and units does your agency monitor annually?
  - e. Is there anything else that we should know, in relation to setting fees, about how the Bond Program operates?
  - f. If your agency does not operate a compliance monitoring program, how does it ensure compliance?
2. Contractors/Consultants
  - a. Does your agency use an outside contractor, in-house staff, or a combination of both? If both, would you describe the division of work?
3. Bond Program Fees
  - a. Does your agency charge developers any bond program fees?
  - b. What fees are charged and how often?
  - c. If your agency does not charge developers bond program fees, what source of funds pays for the expense of doing the work?
4. Fee Methodology
  - a. How are the fees calculated?
  - b. What is your agency's methodology for the fee calculations? For example, are you aiming for a percentage of targeted cost recovery? Is there a historical fee basis? How do you approach cost recovery for the cost of staff versus contractors and consultants (such as bond counsel or financial advisors)? Do you seek to recover direct costs only, departmental overhead and indirect costs, citywide overhead, and indirect costs?
  - c. What were the financial and policy considerations that established the fees?
  - d. Do you have any fee studies you would be willing to share?
5. Colleague to colleague
  - a. As HCIDLA heads into this process, are there any important facts or insights that you could share about how your agency approaches setting and charging Bond Fees?

Is there anything that HCIDLA could share with your team that would support you in your Bond Program work?



**ATTACHMENT B: PROPOSED BOND FEES FOR STANDARD BOND PROJECTS**

<b>Work Activities Summary Table</b>	<b>Fee Paid</b>	<b>Hours Per Activity</b>	<b>Cost Per Activity</b>	<b>Annual # Task Conducted</b>	<b>Total Hours</b>	<b>Total Cost</b>	
<b>APPLICATION PROCESSING FEE</b>	<b>Application</b>	<b>39</b>	<b>\$4,607</b>	<b>22</b>	<b>847</b>	<b>\$101,362</b>	
1. HCID Bond Application (22 Annually)		39	\$4,607	22	847	\$101,362	
	<b>Prior to TEFRA</b>	<b>32</b>	<b>\$4,001</b>	<b>28</b>	<b>448</b>	<b>\$56,009</b>	
2. Inducement (14 Annually)		12	\$1,505	14	168	\$21,067	
3. TEFRA Hearing & Prep (14 Annually)		20	\$2,496	14	280	\$34,943	
	<b>Const Closing</b>	<b>269</b>	<b>\$30,103</b>	<b>Differs, see below</b>	<b>3,412</b>	<b>\$421,440</b>	
4. CDLAC Application Review (14 Annually)		35	\$4,267	14	490	\$59,740	
5. CDLAC Application Submittal & Award (14 Annually)		15	\$1,974	14	210	\$27,635	
6. City Council Meetings & Transmittals for Bond Issuance Authority, 2nd time to Council (14 Annually)		43	\$5,781	14	602	\$80,933	
7. Bond Closing and Issuance (14 Annually)		81	\$10,063	14	1,127	\$140,880	
8. Construction Monitoring & Draws (10 projects at any time)		68	\$7,591	12	816	\$91,089	<b>759.07</b>
9. Perm Conversion Closings (6 Annually)		28	\$3,527	6	167	\$21,163	
	<b>Annual</b>	<b>24</b>	<b>\$2,750</b>	<b>560</b>	<b>6,804</b>	<b>\$770,126</b>	<b>Revisit with Ed</b>
10. Annual Reviews/Monitoring (Specific to Bond Unit)		18	\$2,070	280	4,900	\$579,643	
11. Annual Issuer Fees		7	\$680	280	1,904	\$190,483	
<b>CONSENTS, APPROVAL, TRANSFERS, AMENDMENTS AND WAIVERS</b>	<b>Application</b>	<b>50</b>	<b>\$6,545</b>	<b>38</b>	<b>1,900</b>	<b>\$248,703</b>	<b>\$1,597,640</b>
12. Consents, Approvals, Transfers, Amendments and Waivers		50	\$6,545	38	1,900	\$248,703	
	<b>Construction Closing</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>N/A</b>	
<b>COSTS OF ISSUANCE FEE</b>							
Pays for third party expenses only; not a cost recovered for HCIDLA staff							
Total Staff Capacity (10 FTE @ 2,080 each; less RPC since no hours assigned)					20,800	2,351,059	
Total Staff Time on Bond-Specific Activities					13,411	1,597,640	
Percentage					64%	68%	

CDLA Staffing Bond Program									ENTER HOURS FOR SINGLE APPLICATION									MGMT									DO NOT ENTER IN CELLS BELOW - ALL FORMULA-BASED									
									FY 20-21 Salaries									Total Costs									Potential Cost Recovery Fees		Multiply Cost By # Applications Annually							
Tasks																																				
																															</					

Subtotals	-	4.00	-	21.00	13.00	-	3.00	2.00	-	\$173	-	\$1,299	\$933	-	\$213	\$172	\$2,789	\$1,879	\$418	\$57	\$638	\$5,781	\$5,781	\$80,933
7. Bond Closing and Issuance (14 Annually)																								
a) Coordinate and hold Project Kickoff Meeting	-	1.00	-	3.00	1.00	-	-	-	-	\$43	-	\$186	\$72	-	-	-	\$301	\$202	\$45	\$6	\$69	\$623		
b) Participate in bi-weekly then weekly closing calls	-	12.00	-	16.00	16.00	-	-	-	-	\$519	-	\$989	\$1,149	-	-	-	\$2,657	\$1,789	\$399	\$54	\$607	\$5,506		
c) Review draft bond documents	-	1.00	-	2.00	-	-	-	-	-	\$43	-	\$124	\$0	-	-	-	\$167	\$112	\$25	\$3	\$38	\$346		
d) Negotiate and finalize bond docs (city atty, Bond Counsel and financial advisor)	-	-	-	1.00	1.00	-	-	-	-	-	-	\$62	\$72	-	-	-	\$134	\$90	\$20	\$3	\$31	\$277		
e) Confirm all HCIDLA requirements (CASp, Relocation, Phase I Remediation Plans, RTI, etc.)	-	1.00	-	4.00	1.00	-	-	-	-	\$43	-	\$247	\$72	-	-	-	\$362	\$244	\$54	\$7	\$83	\$751		
f) Review final bond documents	-	1.00	-	1.00	1.00	-	-	-	-	\$43	-	\$62	\$72	-	-	-	\$177	\$119	\$27	\$4	\$40	\$367		
g) Route documents for execution	-	2.00	-	1.00	1.00	-	-	-	-	\$86	-	\$62	\$72	-	-	-	\$220	\$148	\$33	\$5	\$50	\$456		
h) Attend pre-closing (deliver documents)	-	1.00	-	1.00	-	-	-	-	-	\$43	-	\$62	\$0	-	-	-	\$105	\$71	\$16	\$2	\$24	\$218		
i) Approve and confirm escrow closing	-	-	-	2.00	1.00	-	-	-	-	\$0	-	\$124	\$72	-	-	-	\$195	\$132	\$29	\$4	\$45	\$405		
j) Project setup in the Housing Information Management System (HIMS)	-	2.00	-	2.00	1.00	-	-	-	-	\$86	-	\$124	\$72	-	-	-	\$282	\$190	\$42	\$6	\$64	\$584		
Management Oversight	-	-	-	-	-	-	3.00	0.50	-	-	-	-	-	-	\$213	\$43	\$256	\$172	\$38	\$5	\$58	\$530		
Subtotals	-	21.00	-	33.00	23.00	-	3.00	0.50	-	\$908	-	\$2,041	\$1,651	-	\$213	\$43	\$4,855	\$3,270	\$728	\$99	\$1,110	\$10,063	\$10,063	\$140,880
8. Construction Monitoring & Draws (10 projects at any time)																								
a) Receive and log Requests to Process Draws	-	10.00	-	-	-	-	-	-	-	\$432	-	-	-	-	-	-	\$432	\$291	\$65	\$9	\$99	\$896		
b) Coordinate with Construction Unit for draw approvals	-	10.00	-	-	-	-	-	-	-	\$432	-	-	-	-	-	-	\$432	\$291	\$65	\$9	\$99	\$896		
c) Review and approve soft costs	-	10.00	-	-	-	-	-	-	-	\$432	-	-	-	-	-	-	\$432	\$291	\$65	\$9	\$99	\$896		
d) Route final draw for directors approval and send to lender and borrower	-	10.00	-	10.00	10.00	-	-	-	-	\$432	-	\$618	\$718	-	-	-	\$1,769	\$1,191	\$265	\$36	\$404	\$3,665		
Management Oversight	-	-	-	-	-	-	6.00	2.00	-	\$0	-	-	-	-	\$425	\$172	\$597	\$402	\$90	\$12	\$137	\$1,238		
Subtotals	-	40.00	-	10.00	10.00	-	6.00	2.00	-	\$1,729	-	\$618	\$718	-	\$425	\$172	\$3,663	\$2,467	\$549	\$75	\$837	\$7,591	\$7,591	\$91,089
9. Perm Conversion Closings (6 Annually)																								
a) Route and coordinate perm documents	-	-	-	1.00	1.00	-	-	-	-	\$0	-	\$62	\$72	-	\$0	\$0	\$134	\$90	\$20	\$3	\$31	\$277		
b) Review conversion requirements from other lenders and confirm conditions are met	-	-	-	3.00	-	-	-	-	-	\$0	-	\$186	\$0	-	\$0	\$0	\$186	\$125	\$28	\$4	\$42	\$384		
c) Update Asset Mgmt, Accounting, HIMS	-	1.00	-	2.00	1.00	-	-	-	-	\$43	-	\$124	\$72	-	\$0	\$0	\$239	\$161	\$36	\$5	\$55	\$495		
d) Attend closing calls	-	1.00	-	2.00	1.00	-	-	-	-	\$43	-	\$124	\$72	-	\$0	\$0	\$239	\$161	\$36	\$5	\$55	\$495		
e) Review, approve and execute documents, closing	-	2.00	-	10.00	2.00	-	-	-	-	\$86	-	\$618	\$144	-	\$0	\$0	\$848	\$571	\$127	\$17	\$194	\$1,758		
Management Oversight	-	-	-	-	-	-	0.50	0.25	-	-	-	-	-	-	\$35	\$21	\$57	\$38	\$9	\$1	\$13	\$118		
Subtotals	-	4.00	-	18.00	5.00	-	0.50	0.25	-	\$173	-	\$1,113	\$359	-	\$35	\$21	\$1,702	\$1,146	\$255	\$35	\$389	\$3,527	\$3,527	\$21,163
10. Annual Reviews/Monitoring (Specific to Bond Unit)																								
a) Research and respond to questions from third party vendor or OM	-	3.00	-	-	1.00	-	-	-	-	\$130	-	-	\$72	-	-	\$0	\$201	\$136	\$30	\$4	\$46	\$418		
b) Prepare annual conduit report and submit to accounting	-	4.00	-	-	2.00	-	-	-	-	\$173	-	-	\$144	-	-	\$0	\$316	\$213	\$47	\$6	\$72	\$656		
c) Prepare annual reports to CDLAC	-	2.00	-	-	5.00	-	-	-	-	\$86	-	-	\$359	-	-	\$0	\$445	\$300	\$67	\$9	\$102	\$923		
Management Oversight	-	-	-	-	-	-	0.50	-	-	\$0	-	-	\$0	-	\$35	\$0	\$35	\$24	\$5	\$1	\$8	\$73		
Subtotals	-	9.00	-	-	8.00	-	0.50	-	-	\$389	-	-	\$574	-	\$35	\$0	\$999	\$673	\$150	\$20	\$228	\$2,070	\$2,070	\$579,643
11. Annual Issuer Fees																								
a) Receive the fee and prepare a memo to accounting	-	2.00	-	-	-	-	-	-	-	\$86	-	-	-	-	-	-	\$86	\$58	\$13	\$2	\$20	\$179		
b) Fee entry into "bond fees" spreadsheet, HMIS and FMS	-	2.00	-	-	-	0.50	-	-	-	\$86	-	-	\$0	\$17	-	-	\$103	\$70	\$15	\$2	\$24	\$214		
c) Prepare bond fee reports	-	1.00	-	-	1.00	-	-	-	-	\$43	-	-	\$72	-	-	-	\$115	\$77	\$17	\$2	\$26	\$238		
Management Oversight	-	-	-	-	-	-	0.15	0.15	-	\$0	-	-	-	-	\$11	\$13	\$24	\$16	\$4	\$0	\$5	\$49		
Subtotals	-	5.00	-	-	1.00	0.50	0.15	0.15	-	\$216	-	-	\$72	\$17	\$11	\$13	\$328	\$221	\$49	\$7	\$75	\$680	\$680	\$190,483
12. Consents, Approvals, Transfers, Amendments and Waivers																								
a) Review and determine sponsor's request, assign to FDO I	-	-	-	2.00	3.00	-	-	-	-	-	-	\$124	\$215	-	-	-	\$339	\$228	\$51	\$7	\$78	\$703		
b) Review and reasearch the request and forms. Also consult with bond team.	-	-	-	12.00	1.00	-	-	-	-	-	-	\$742	\$72	-	-	-	\$814	\$548	\$122	\$17	\$186	\$1,687		
c) Request Background check from Asset Management	-	2.00	-	6.00	-	-	-	-	-	\$86	-	\$371	\$0	-	-	-	\$457	\$308	\$69	\$9	\$105	\$948		
d) Communicate with sponsor and other parties via e-mail and or conf. calls	-	-	-	8.00	1.00	-	-	-	-	-	-	\$495	\$72	-	-	-	\$566	\$382	\$85	\$12	\$129	\$1,174		
e) Request approval from CDLAC	-	-	-	2.00	2.00	-	-	-	-	-	-	\$124	\$144	-	-	-	\$267	\$180	\$40	\$5	\$61	\$554		
f) Request documents from City Attorney and Bond Counsel	-	-	-	4.00	-	-	-	-	-	-	-	\$247	\$0	-	-	-	\$247	\$167	\$37	\$5	\$57	\$513		
g) Route documents for execution	-	1.00	-	2.00	1.00	-	-	-	-	\$43	-	\$124	\$72	-	-	-	\$239	\$161	\$36	\$5	\$55	\$495		
Management Oversight	-	-	-	-	-	-	2.00	1.00	-	-	-	-	-	-	\$142	\$86	\$228	\$153	\$34	\$5	\$52	\$472		
Subtotals	-	3.00	-	36.00	8.00	-	2.00	1.00	-	\$130	-	\$2,226	\$574	-	\$142	\$86	\$3,158	\$2,127	\$474	\$65	\$722	\$6,545	\$6,545	\$248,703
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Summary																								
1. HCID Bond Application (22 Annually)	1.00	12.00	-	16.00	8.00	-	1.00	0.50	\$27	\$519	-	\$989	\$574	-	\$71	\$43	\$2,223	\$1,497	\$333	\$45	\$508	\$4,607	\$4,607	\$101,362
2. Inducement (14 Annually)	-	3.00	-	5.00	4.00	-	-	-	-	\$130	-	\$309	\$287	-	\$0	\$0	\$726	\$489	\$109	\$15	\$166	\$1,505	\$1,505	\$21,067
3. TEFRA Hearing & Prep (14 Annually)	-	7.00	-	3.00	8.00	-	2.00	-	-	\$303	-	\$186	\$574	-	\$142	\$0	\$1,204	\$811	\$181	\$25	\$275	\$2,496	\$2,496	\$34,943
4. CDLAC Application Review (14 Annually)	-	9.00	-	21.00	2.00	-	2.00	1.00	-	\$389	-	\$1,299	\$144	-	\$142	\$86	\$2,059	\$1,387	\$309	\$42	\$471	\$4,267	\$4,267	\$59,740
5. CDLAC Application Submittal & Award (14 Annually)	-	2.00	-	8.00	2.00	-	2.00	1.00	-	\$86	-	\$495	\$144	-	\$142	\$86	\$952	\$641	\$143	\$19	\$218	\$1,974	\$1,974	\$27,635
6. City Council Meetings & Transmittals for Bond Issuance Authority, 2nd time to Council (14 Annually)	-	4.00	-	21.00	13.00	-	3.00	2.00	-	\$173	-	\$1,299	\$933	-	\$213	\$172	\$2,789	\$1,879	\$418	\$57	\$638	\$5,781	\$5,781	\$80,933
7. Bond Closing and Issuance (14 Annually)	-	21.00	-	33.00	23.00	-	3.00	0.50	-	\$908	-	\$2,041	\$1,651	-	\$213	\$43	\$4,855	\$3,270	\$728	\$99	\$1,110	\$10,063	\$10,063	\$140,880

8. Construction Monitoring & Draws (10 projects at any time)	-	40.00	-	10.00	10.00	-	6.00	2.00	-	\$1,729	-	\$618	\$718	-	\$425	\$172	\$3,663	\$2,467	\$549	\$75	\$837	<b>\$7,591</b>	\$7,591	\$91,089
9. Perm Conversion Closings (6 Annually)	-	4.00	-	18.00	5.00	-	0.50	0.25	-	\$173	-	\$1,113	\$359	-	\$35	\$21	\$1,702	\$1,146	\$255	\$35	\$389	<b>\$3,527</b>	\$3,527	\$21,163
10. Annual Reviews/Monitoring (Specific to Bond Unit)	-	9.00	-	-	8.00	-	0.50	-	-	\$389	-	\$0	\$574	-	\$35	\$0	\$999	\$673	\$150	\$20	\$228	<b>\$2,070</b>	\$2,070	\$579,643
11. Annual Issuer Fees	-	5.00	-	-	1.00	0.50	0.15	0.15	-	\$216	-	\$0	\$72	\$17	\$11	\$13	\$328	\$221	\$49	\$7	\$75	<b>\$680</b>	\$680	\$190,483
12. Consents, Approvals, Transfers, Amendments and Waivers	-	3.00	-	36.00	8.00	-	2.00	1.00	-	\$130	-	\$2,226	\$574	\$0	\$142	\$86	\$3,158	\$2,127	\$474	\$65	\$722	<b>\$6,545</b>	\$6,545	\$248,703
<b>Total HCID Bond Program Costs</b>	<b>1.00</b>	<b>119.00</b>	<b>-</b>	<b>171.00</b>	<b>92.00</b>	<b>0.50</b>	<b>22.15</b>	<b>8.40</b>	<b>\$27</b>	<b>\$5,144</b>	<b>\$0</b>	<b>\$10,574</b>	<b>\$6,605</b>	<b>\$17</b>	<b>\$1,571</b>	<b>\$721</b>	<b>\$24,659</b>	<b>\$16,608</b>	<b>\$3,699</b>	<b>\$504</b>	<b>\$5,637</b>	<b>\$51,106</b>	<b>\$51,106</b>	<b>\$1,597,640</b>
<b>Check</b>			-															<b>0.6735</b>	<b>0.15</b>	<b>0.0204</b>	<b>0.23</b>	<b>2.0725</b>		<b>72,619.98</b>

## ATTACHMENT C: PROPOSED BOND FEES FOR PROJECTS UTILIZING OUTSIDE ISSUERS

### PROPOSED BOND FEES FOR OUTSIDE ISSUERS ON A PER PROJECT BASIS

<u>Proposed Fees</u>	<u>Fee paid</u>	Potential <u>AHBP</u>	Potential <u>AcHP</u>	Potential <u>OM</u>	<u>Total Fees</u>
1. Application Processing Fee	Once at application	\$2,925	n/a	\$1,324 (a)	\$4,249
2. TEFRA Hearing Fee	Once at application	\$644	n/a	n/a	\$644
3. Costs of Issuance Fee	n/a	n/a	n/a	n/a	n/a
4. Initial Issuer Fee	n/a	n/a	n/a	n/a (b)	n/a
AcHP Policy Compliance Review Fee	Once at application	n/a	\$19,911 (c)	n/a	\$19,911
AcHP Design & Construction Monitoring Fee	Once at project closing	n/a	\$46,034 (d)	n/a	\$46,034
<b>Total Estimated One-Time Fees:</b>					<b>\$70,837</b>
5. Annual Issuer Fee	Annually	n/a	\$5,801 (e)	\$357 (f)	\$6,158
<b>Total Estimated Annual Fees:</b>					<b>\$6,158</b>
Transfer Fee, Amendment Fee, and Waiver Fee	As Needed	\$5,000 minimum	n/a	n/a	As needed

**Notes:**

- (a) OM per project cost of Background Check to ensure owner is in compliance on all existing properties.
- (b) OM cost of New Project Set Up in HCIDLA's various software management and tracking systems is not applicable to Statewide Issuer projects with no HCIDLA loans.
- (c) AcHP per project cost of Policy Compliance Review: scheduling, conducting, and report writing. Does not include the cost of rescheduling.
- (d) Average of design and construction monitoring costs for rehabs and new construction.
- (e) AcHP annual cost per project for monitoring accessibility, conducting fair housing training, and handling grievances. Does not include costs associated with overseeing the Corrective Actions process.
- (f) OM per project annual cost to provide public information and referrals and housing listing service, and to conduct mandated auditing.

Sources: BAE 2020; HCIDLA, 2020.



OUTSIDE ISSUERS ONLY

Task	ENTER HOURS FOR SINGLE APPLICATION								DO NOT ENTER IN CELLS BELOW - ALL FORMULA-BASED																			Multiply Cost By # Applications Annually				
	1	2	3	4	5	PLEASE ENTER HOURS IN WHITE CELLS IN THIS SECTION ONLY			7	8	10	11	12	13	14	15	16	17	18	19	20	21	22	23								
Task	Staff Time				Management Team				FY 19-20 Salaries									Total Costs														
	Mgmt Asst	Mgmt Analyst	RPC	FDO I	FDO II	Accountant	CHPM	Director	Mgmt Asst	Mgmt Analyst	RPC	FDO I	FDO II	Accountant	CHPM	Director	Direct Salaries	Indirect Costs - CAP40 (Fringe+Ctrl Svcs)	Allocated Lease & Parking	Allocated Other Costs	GASP	Total Costs Per Year	Potential Cost Recovery Fees (see footnotes)									
			See FDO I Hours						\$	26.74	\$	43.22	\$	67.15	\$	61.84	\$	71.80	\$	33.61	\$	70.91	\$	85.88	Sum (a)	67.35%	15.00%	2.04%	22.86%	=Total Costs	=Total Costs	22
Application Processing Fee (Applies to Outside Issuers)																																
1. HCID Bond Application (22 Annually)																																
a) Application review and scheduling (per application)	1.00	2.00	-	8.00	4.00				26.74	86.45	-	494.69	287.18	-	-	-	895.06	602.83	134.26	18.30	204.61	1,855.06										
b) Background Check	-	4.00	-	3.00	1.00				-	172.90	-	185.51	71.80	-	-	-	430.20	289.74	64.53	8.80	98.34	891.62										
c) Request, Receive and Process Fees	-	-	-	-	-				-	-	-	-	-	-	-	-	-	-	-	-	-	-										
d) TEFRA/Inducement Introduction meeting	-	-	-	-	-				-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Management Oversight								1.00								85.88	85.88	57.84	12.88	1.76	19.63	177.98										
Subtotals	1.00	6.00	-	11.00	5.00	-	-	1.00	26.74	259.35	-	680.20	358.98	-	-	85.88	1,411.15	950.41	211.67	28.86	322.59	2,924.67										64,343
TEFRA Hearing Fee (Applies to Outside Issuers)																																
2. Inducement (14 Annually)																																
a) Coordinate with bond counsel				1.00	1.00				-	-	-	61.84	71.80	-	-	-	133.63	90.00	20.04	2.73	30.55	276.96										
b) Prepare inducement letter									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
c) Route letter for signatures									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
d) Email letter to City officials									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
e) Coordinate and attend TEFRA Intro Meeting									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Management Oversight									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Subtotals	-	-	-	1.00	1.00	-	-	-	-	-	-	61.84	71.80	-	-	-	133.63	90.00	20.04	2.73	30.55	276.96										3,877
3. TEFRA Hearing & Prep (14 Annually)																																
a) Coordinate with bond counsel to request the TEFRA notice		1.00		1.00	1.00				-	43.22	-	61.84	71.80	-	-	-	176.86	119.11	26.53	3.62	40.43	366.55										
b) Coordinate with LA Times and request the TEFRA publication									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
c) Coordinate TEFRA hearing and prepare minutes									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
d) Attend TEFRA hearing									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
e) Request to the LA Times TEFRA Affidavit									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
f) Prepare motion for City Council									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
g) Submit to CAO and coordinate internal review									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
h) Attend City Council Meeting									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
i) Request adopted resolution from City Clerk									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
j) Send resolution to CDLAC									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Management Oversight									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Subtotals	-	1.00	-	1.00	1.00	-	-	-	-	43.22	-	61.84	71.80	-	-	-	176.86	119.11	26.53	3.62	40.43	366.55										5,132
Initial Issuer Fee																																
4. CDLAC Application Review (14 Annually)																																
a) Coordinate with the sponsor and setup CDLAC portal online portal access									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
b) Monitor and coordinate online portal uploading from sponsor									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
c) Review application materials									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
d) Route and coordinate forms for internal execution (Signature PG, PD Cert, 10-A)									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
e) Receive and process performance deposits									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
f) Receive and log application fee									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
g) Deem application reviewed and complete (download atts, coordinate UPS, developer consent, CDLAC copy of app and confirmation email)									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Management Oversight									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Subtotals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
5. CDLAC Application Submittal & Award (14 Annually)																																
a) Submit application to CDLAC and receive confirmation									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
b) Provide CDLAC with clarifications and responses (Apolinar)									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
c) Review CDLAC draft resolutions (Apolinar)									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
d) Receive and file resolution (Conny)									-	-	-	-	-	-	-	-	-	-	-	-	-	-										
e) Coordinate and schedule bond calls and closing (Apolinar)									-	-	-	-	-	-	-	-	-	-	-													

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Summary																								
1. HCID Bond Application (22 Annually)	1.00	6.00	-	11.00	5.00	-	-	1.00	26.74	259.35	-	680.20	359.99	-	-	85.88	1,411.15	950.41	211.67	28.86	322.59	2,924.67	2,924.67	64,342.67
2. Inducement (14 Annually)	-	-	-	1.00	1.00	-	-	-	-	61.84	-	133.63	71.80	-	-	-	90.00	20.04	2.73	30.55	276.96	276.96	3,877.44	
3. TEFRA Hearing & Prep (14 Annually)	-	1.00	-	1.00	1.00	-	-	-	-	43.22	-	61.84	71.80	-	-	-	176.86	119.11	26.53	3.62	40.43	366.55	366.55	5,131.63
4. CDLAC Application Review (14 Annually)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. CDLAC Application Submittal & Award (14 Annually)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. City Council Meetings & Transmittals for Bond Issuance Authority, 2nd time to Council (14 Annually)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7. Bond Closing and Issuance (14 Annually)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8. Construction Monitoring & Draws (10 projects at any time)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9. Perm Conversion Closings (6 Annually)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10. Annual Revisions/Monitoring (Specific to Bond Unit)	-	3.00	-	-	1.00	-	0.50	-	-	129.67	-	-	71.80	-	35.45	-	236.92	159.57	35.54	4.84	54.16	491.04	491.04	137,490.38
11. Annual Issuer Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12. Consents, Approvals, Transfers, Amendments and Waivers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total HCID Bond Program Costs	1.00	10.00	-	13.00	8.00	-	0.50	1.00	26.74	432.25	-	803.88	574.37	-	35.45	85.88	1,958.56	1,319.09	293.78	40.05	447.73	4,059.21	4,059.21	210,842.12
Check																	0.6735	0.15	0.0204	0.23	2.0725			9,583.73

<u>AcHP Activities</u>	<u>Per Project</u>	<u>Frequency Annually</u>	<u>Include AHBP?</u>	
<b><u>POLICY GROUP</u></b>				
Fair Housing Training	\$ 1,539	12.00	?	
Milestone 1 - Schedule Policy Compliance Review	\$ 1,584	45.00	Y	<b>SUM OF 4 HIGHLIGHTED FIGURES CONTRIBUTE TO PROPOSED AcHP POLICY REVIEW FEE</b>
Milestone 2 - Reschedule Policy Compliance Review	\$ 384	45.00	?	
Milestone 3 - Conduct Policy Compliance Review	\$ 17,342	45.00	Y	
Milestone 4 - Prepare and Complete Policy Compliance Review Report to O/PM	\$ 985	45.00	Y	
Milestone 5 -Review and close out Corrective Action Items	\$ 12,140	45.00	?	
Grievances Handling	\$ 6,019	22.00	N	
Annual Monitoring	\$ 5,770	45.00	Y	<b>SUM OF 2 HIGHLIGHTED FIGURES CONTRIBUTES TO PROPOSED ANNUAL ISSUER FEE</b>
Total Grievances & Fair Housing Training Cost	\$ 62,321			
Total # Projects	2,045			
FH and Grievances Costs Per Project (spread over entire portfolio)	\$ 30.47			
<b><u>RETROFIT GROUP</u></b>				
Rehabilitation - Predevelopment Phase	\$ 12,391		Y	
Rehabilitation - Construction Phase	\$ 37,306		Y	
Total Rehabilitation	\$ 49,696			<b>CALCULATION USES AVERAGE BETWEEN THESE TO PROPOSED AcHP DESIGN/CONSTRUCTION FEE</b>
New Construction - Predevelopment Phase	\$ 5,900		Y	
New Construction - Construction Phase	\$ 36,471		Y	
Total New Construction	\$ 42,371			



Accessible Housing Program (AcHP)

Policy Section

Assumptions:

Monitoring Time for Policy Compliance Monitoring

In Hours per Project

Utilized Top Step Hourly Salary Found in City Pay

Averaged top step salary for Mgmt Analyst and Mgmt Assistant

Wondering about overestimates = Orange Cells

Staff Time (in hours)						Salaries (\$)													
	Director of Housing	Sr. MA II	Sr. MA I	Average Mgmt Analyst/Mgmt Asst	Sr. Admin Clerk	TOTAL HOURS	Director of Housing	Sr. MA II	Sr. MA I	Average Mgmt Analyst/Mgmt Asst	Sr. Admin Clerk	Direct Salaries	Indirect Costs - CAP40 (Fringe+Ctrl Svcs)	Allocated Lease & Parking	Allocated Other Costs	GASP	Total Indirect Costs Per Project	Total Costs Per Project	
Fair Housing Training													67.15%	15.00%	2.04%	22.00%	=Total Indirect	=Total Costs	
Review & Select Participants for Training					6		\$ -	\$ -	\$ -	\$ -	\$ 191.03	\$ 191.03	128.28	28.65	3.90	42.03	202.85	393.88	
Coordinate Training & Schedule Facilities					16		\$ -	\$ -	\$ -	\$ -	\$ 509.41	\$ 509.41	342.07	76.41	10.39	112.07	540.94	1,050.35	
Conduct (Staff) Fair Housing Training	8	4			12		\$ 687.02	\$ 278.38	\$ -	\$ -	\$ 382.06	\$ 1,347.45	904.82	202.12	27.49	296.44	1,430.86	2,778.32	
Evaluate Training and Improve Training Materials	4				4		\$ 343.51	\$ -	\$ -	\$ -	\$ 127.35	\$ 470.86	316.18	70.63	9.61	103.59	500.01	970.87	
Subtotal	12	4	0	0	38	54	\$ 1,030.52	\$ 278.38	\$ -	\$ -	\$ 1,209.84	\$ 2,518.75	\$ 1,691.34	\$ 377.81	\$ 51.38	\$ 554.12	\$ 2,674.66	\$ 5,193.41	
Policies Audit & Monitoring (Milestones 1 to 5)																			
Milestone 1 - Schedule Policy Compliance Review																			
Review & Select Project for Policies Compliance Monitoring			2	2			\$ -	\$ -	\$ 116.45	\$ 69.96	\$ -	\$ 186.41	125.18	27.96	3.80	41.01	197.95	384.37	
Research & Update Property Manager's Contact Information			4		4		\$ -	\$ -	\$ 232.90	\$ -	\$ 127.35	\$ 360.25	241.91	54.04	7.35	79.26	382.55	742.81	
Solicit/Confirm with PMs to Attend the Monitoring Meeting				3			\$ -	\$ -	\$ -	\$ 104.94	\$ -	\$ 104.94	70.47	15.74	2.14	23.09	111.44	216.39	
Send out Invitation			2				\$ -	\$ -	\$ 116.45	\$ -	\$ -	\$ 116.45	78.20	17.47	2.38	25.62	123.66	240.11	
Subtotal	0	0	8	5	4	17	\$ -	\$ -	\$ 465.80	\$ 174.91	\$ 127.35	\$ 768.06	\$ 515.75	\$ 115.21	\$ 15.67	\$ 168.97	\$ 815.61	\$ 1,583.67	
Milestone 2 - Reschedule Policy Compliance Review																			
Reschedule the Compliance Review Meeting			2	2			\$ -	\$ -	\$ 116.45	\$ 69.96	\$ -	\$ 186.41	125.18	27.96	3.80	41.01	197.95	384.37	
Subtotal	0	0	2	2	0	4	\$ -	\$ -	\$ 116.45	\$ 69.96	\$ -	\$ 186.41	\$ 125.18	\$ 27.96	\$ 3.80	\$ 41.01	\$ 197.95	\$ 384.37	
Milestone 3 - Conduct Policy Compliance Review																			
Review and approve Property Management Plan (PMP)	1	2		200			\$ 85.88	\$ 139.19	\$ -	\$ 6,996.30	\$ -	\$ 7,221.37	4,849.15	1,083.20	147.32	1,588.70	7,668.37	14,889.74	
Review of AcHP Registry Posting				6									-	-	-	-	-	-	
Site Visit - Tenant Survey				24			\$ -	\$ -	\$ -	\$ 839.56	\$ -	\$ 839.56	563.76	125.93	17.13	184.70	891.52	1,731.08	
In-House Compliance Review Meeting				8			\$ -	\$ -	\$ -	\$ 279.85	\$ -	\$ 279.85	187.92	41.98	5.71	61.57	297.17	577.03	
Review Compliance Checklist and documents				2			\$ -	\$ -	\$ -	\$ 69.96	\$ -	\$ 69.96	46.98	10.49	1.43	15.39	74.29	144.26	
Subtotal	1	2	0	240	0	243	\$ 85.88	\$ 139.19	\$ -	\$ 8,185.67	\$ -	\$ 8,410.74	\$ 5,647.81	\$ 1,261.61	\$ 171.58	\$ 1,850.36	\$ 8,931.36	\$ 17,342.10	
Milestone 4 - Prepare and Complete Policy Compliance Review Report to O/PM																			
Prepare Compliance Review Report				10			\$ -	\$ -	\$ -	\$ 349.81	\$ -	\$ 349.81	234.90	52.47	7.14	76.96	371.47	721.28	
Review Compliance Review Report		1	1				\$ -	\$ 69.60	\$ 58.23	\$ -	\$ -	\$ 127.82	85.83	19.17	2.61	28.12	135.73	263.55	
Subtotal	0	1	1	10	0	12	\$ -	\$ 69.60	\$ 58.23	\$ 349.81	\$ -	\$ 477.64	\$ 320.73	\$ 71.65	\$ 9.74	\$ 105.08	\$ 507.20	\$ 984.84	
Milestone 5 -Review and close out Corrective Action Items													\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Review and follow up Compliance Documents Received		2	2	160			\$ -	\$ 139.19	\$ 116.45	\$ 5,597.04	\$ -	\$ 5,852.68	3,930.08	877.90	119.39	1,287.59	6,214.96	12,067.64	
Issue Compliance Certificate				1			\$ -	\$ -	\$ -	\$ 34.98	\$ -	\$ 34.98	23.49	5.25	0.71	7.70	37.15	72.13	
Subtotal	0	2	2	161	0	165	\$ -	\$ 139.19	\$ 116.45	\$ 5,632.02	\$ -	\$ 5,887.66	\$ 3,953.57	\$ 883.15	\$ 120.11	\$ 1,295.29	\$ 6,252.11	\$ 12,139.77	
Grievances Handling																			
Assign Grievance		0.5					\$ -	\$ 34.80	\$ -	\$ -	\$ -	\$ 34.80	23.37	5.22	0.71	7.66	36.95	71.75	
Initial Review/Research Grievance				4			\$ -	\$ -	\$ -	\$ 139.93	\$ -	\$ 139.93	93.96	20.99	2.85	30.78	148.59	288.51	
Interactive Process (incl. Site Visit and Investigation)				72			\$ -	\$ -	\$ -	\$ 2,518.67	\$ -	\$ 2,518.67	1,691.29	377.80	51.38	554.11	2,674.57	5,193.24	
Determination Letter (Closing Report)	1			4			\$ 85.88	\$ -	\$ -	\$ 139.93	\$ -	\$ 225.80	151.63	33.87	4.61	49.68	239.78	465.58	
Subtotal	1	0.5	0	80	0	81.5	\$ 85.88	\$ 34.80	\$ -	\$ 2,798.52	\$ -	\$ 2,919.19	\$ 1,960.24	\$ 437.88	\$ 59.55	\$ 642.22	\$ 3,099.89	\$ 6,019.09	
Annual Monitoring																			
Audit/Site Visit - Spot check, tenant survey, etc.				40			\$ -	\$ -	\$ -	\$ 1,399.26	\$ -	\$ 1,399.26	939.60	209.89	28.54	307.84	1,485.87	2,885.13	
Review Quarterly Reports (incl. applications submitted via AcHP Registry)				40			\$ -	\$ -	\$ -	\$ 1,399.26	\$ -	\$ 1,399.26	939.60	209.89	28.54	307.84	1,485.87	2,885.13	
Subtotal	0	0	0	80	0	80	\$ -	\$ -	\$ -	\$ 2,798.52	\$ -	\$ 2,798.52	\$ 1,879.21	\$ 419.78	\$ 57.09	\$ 615.67	\$ 2,971.75	\$ 5,770.27	
Total Hours/Cost	14.00	9.50	13.00	578.00	42.00	656.5	\$ 1,202.28	\$ 661.16	\$ 756.93	\$ 20,009.41	\$ 1,337.20	\$ 23,966.97	\$ 16,093.82	\$ 3,595.05	\$ 488.93	\$ 5,272.73	\$ 25,450.53	\$ 49,417.51	
SUMMARY OF AcHP ACTIVITIES/POLICY	HOURS					SALARIES							INDIRECT COSTS						
Fair Housing Training	12.00	4.00	0.00	0.00	38	54	\$ 1,030.52	\$ 278.38	\$ -	\$ -	\$ 1,209.84	\$ 2,518.75	\$ 1,691.34	\$ 377.81	\$ 51.38	\$ 554.12	\$ 2,674.66	\$ 5,193.41	
Milestone 1 - Schedule Policy Compliance Review	0.00	0.00	8.00	5.00	4	17	\$ -	\$ -	\$ 465.80	\$ 174.91	\$ 127.35	\$ 768.06	\$ 515.75	\$ 115.21	\$ 15.67	\$ 168.97	\$ 815.61	\$ 1,583.67	
Milestone 2 - Reschedule Policy Compliance Review	0.00	0.00	2.00	2.00	0	4	\$ -	\$ -	\$ 116.45	\$ 69.96	\$ -	\$ 186.41	\$ 125.18	\$ 27.96	\$ 3.80	\$ 41.01	\$ 197.95	\$ 384.37	
Milestone 3 - Conduct Policy Compliance Review	1.00	2.00	0.00	240.00	0	243	\$ 85.88	\$ 139.19	\$ -	\$ 8,185.67	\$ -	\$ 8,410.74	\$ 5,647.81	\$ 1,261.61	\$ 171.58	\$ 1,850.36	\$ 8,931.36	\$ 17,342.10	
Milestone 4 - Prepare and Complete Policy Compliance Review Report to O/PM	0.00	1.00	1.00	10.00	0	12	\$ -	\$ 69.60	\$ 58.23	\$ 349.81	\$ -	\$ 477.64	\$ 320.73	\$ 71.65	\$ 9.74	\$ 105.08	\$ 507.20	\$ 984.84	
Milestone 5 -Review and close out Corrective Action Items	0.00	2.00	2.00	161.00	0	165	\$ -	\$ 139.19	\$ 116.45	\$ 5,632.02	\$ -	\$ 5,887.66	\$ 3,953.57	\$ 883.15	\$ 120.11	\$ 1,295.29	\$ 6,252.11	\$ 12,139.77	
Grievances Handling	1.00	0.50	0.00	80.00	0	81.5	\$ 85.88	\$ 34.80	\$ -	\$ 2,798.52	\$ -	\$ 2,919.19	\$ 1,960.24	\$ 437.88	\$ 59.55	\$ 642.22	\$ 3,099.89	\$ 6,019.09	
Annual Monitoring	0.00	0.00	0.00	80.00	0	80	\$ -	\$ -	\$ -	\$ 2,798.52	\$ -	\$ 2,798.52	\$ 1,879.21	\$ 419.78	\$ 57.09	\$ 615.67	\$ 2,971.75	\$ 5,770.27	
Total Hours/Cost	14.00	9.50	13.00	578.00	42.00	656.50	\$ 1,202.28	\$ 661.16	\$ 756.93	\$ 20,009.41	\$ 1,337.20	\$ 23,966.97	\$ 16,093.82	\$ 3,595.05	\$ 488.93	\$ 5,272.73	\$ 25,450.53	\$ 49,417.51	
Predevelopment to Stabilized Lease Up Per Project Mandatory	1.00	3.00	9.00	255.00	4.00		\$ 85.88	\$ 208.79	\$ 524.03	\$ 8,710.39	\$ 127.35	\$ 9,656.44	\$ 6,484.30	\$ 1,448.47	\$ 196.99	\$ 2,124.42	\$ 10,254.17	\$ 19,910.61	



Accessible Housing Program (AcHP)

Retrofit Section

Assumptions:  
18 month construction period

35 projects at any time (new vs. rehab? Predev vs. construction?)  
Assume 1/3rd predev; assume 50/50 rehab/construction

Monitoring Time for Policy Compliance Monitoring

In Hours per Project

Utilized Top Step Hourly Salary Found in City Pay

Acitivities and Tasks	Staff Time (in hours)			Salaries (\$)				Indirect Costs - CAP40 (Fringe+Ctrl)	Allocated Lease & Parking	Allocated Other Costs	GASP	Total Indirect Costs Per Project	Total Costs Per Project
	Director of Housing	RCS III	RCS II	Director of Housing	RCS III	RCS II	Direct Salaries						
Monitoring a Rehabilitation Project								67.35%	15.00%	2.04%	22.86%	=Total Indirect	=Total Costs
Rehabilitation - Predevelopment Phase													
Preliminary Review and assign project to RCS II		6		\$ -	\$ 395.57	\$ -	\$ 395.57	\$ 266.42	\$ 59.34	\$ 8.07	\$ 90.43	\$ 424.25	\$ 819.82
Research: Plans, Permit History, TCO, CoFO, Funding History and Funding Sources			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Pre-development Site Inspection, Review Existing conditions, to see if the project complied with accessibility standards that were applicable when the development was first built or rehabilitated. Inspect site for any Technically Infeasible issues			40	\$ -	\$ -	\$ 2,899.06	\$ 2,899.06	\$ 1,952.52	\$ 434.86	\$ 59.14	\$ 662.72	\$ 3,109.24	\$ 6,008.30
Review Accessibility Design Review Report From CASp Consultant and Proposed Plans. Issue a correction report and Input data into tracking systems			20	\$ -	\$ -	\$ 1,449.53	\$ 1,449.53	\$ 976.26	\$ 217.43	\$ 29.57	\$ 331.36	\$ 1,554.62	\$ 3,004.15
Review Revised Accessibility Design Review Report From CASp. Issue approve email and input data into tracking systems			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Review work completed by RSC II on Design Review Report		6		\$ -	\$ 395.57	\$ -	\$ 395.57	\$ 266.42	\$ 59.34	\$ 8.07	\$ 90.43	\$ 424.25	\$ 819.82
HCIDLA Predevelopment Subtotal	0	12	72	\$ -	\$ 791.14	\$ 5,218.30	\$ 6,009.44	\$ 4,047.36	\$ 901.42	\$ 122.59	\$ 1,373.76	\$ 6,445.13	\$ 12,454.57
Rehabilitation - Construction Phase													
Review Accessibility Progress Inspection Report from CASp Consultant and schedule Progress Inspection			6	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Progress Inspection of all units for compliance with Accessibility Standards			60	\$ -	\$ -	\$ 4,348.59	\$ 4,348.59	\$ 2,928.77	\$ 652.29	\$ 88.71	\$ 994.09	\$ 4,663.86	\$ 9,012.45
Create and issue corrections report for AcHP Progress Inspection			8	\$ -	\$ -	\$ 579.81	\$ 579.81	\$ 390.50	\$ 86.97	\$ 11.83	\$ 132.54	\$ 621.85	\$ 1,201.66
Technical Assistance			4	\$ -	\$ -	\$ 289.91	\$ 289.91	\$ 195.25	\$ 43.49	\$ 5.91	\$ 66.27	\$ 310.92	\$ 600.83
Review RCS II work on Progress Inspection Reports		6		\$ -	\$ 395.57	\$ -	\$ 395.57	\$ 266.42	\$ 59.34	\$ 8.07	\$ 90.43	\$ 424.25	\$ 819.82
Review Final Accessibility Report from CASp consultant			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Conduct Final AcHP Final Accessibility Inspections of all units			60	\$ -	\$ -	\$ 4,348.59	\$ 4,348.59	\$ 2,928.77	\$ 652.29	\$ 88.71	\$ 994.09	\$ 4,663.86	\$ 9,012.45
Create and issue corrections report for Final AcHP Accessibility Inspection			8	\$ -	\$ -	\$ 579.81	\$ 579.81	\$ 390.50	\$ 86.97	\$ 11.83	\$ 132.54	\$ 621.85	\$ 1,201.66
LCM Site Inspection			8	\$ -	\$ -	\$ 579.81	\$ 579.81	\$ 390.50	\$ 86.97	\$ 11.83	\$ 132.54	\$ 621.85	\$ 1,201.66
Final Closeout Documents and data input into tracking Systems			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Review RCS II work on Final Inspection Report and close out documents		4		\$ -	\$ 263.71	\$ -	\$ 263.71	\$ 177.61	\$ 39.56	\$ 5.38	\$ 60.28	\$ 282.83	\$ 546.55
Final Review and Approval	2			\$ 171.75	\$ -	\$ -	\$ 171.75	\$ 115.68	\$ 25.76	\$ 3.50	\$ 39.26	\$ 184.21	\$ 355.96
HCIDLA Construction Subtotal	2	10	166	\$ 171.75	\$ 659.28	\$ 11,596.23	\$ 12,427.27	\$ 8,369.77	\$ 1,864.09	\$ 253.52	\$ 2,840.87	\$ 13,328.25	\$ 25,755.51
HCIDLA Subtotal	2	22	238	\$ 171.75	\$ 1,450.42	\$ 16,814.53	\$ 18,436.71	\$ 12,417.13	\$ 2,765.51	\$ 376.11	\$ 4,214.63	\$ 19,773.37	\$ 38,210.09
(Third Party) LCM Cost for Intial Inspection and Report							\$ 6,300.00						
(Third Party) LCM Cost for Final Inspection and Issuance of Certificate of Compliance							\$ 5,250.00						
Third Party Subtotal							\$ 11,550.00						\$ 11,550.00
TOTAL COST ESTIMATE FOR REHAB							\$ 29,986.71	\$ 12,417.13	\$ 2,765.51	\$ 376.11	\$ 4,214.63	\$ 19,773.37	\$ 49,760.09
Monitoring a New Construction Project													
New Construction - Predevelopment Phase													
Preliminary Review and assign project to RCS II		4		\$ -	\$ 263.71	\$ -	\$ 263.71	\$ 177.61	\$ 39.56	\$ 5.38	\$ 60.28	\$ 282.83	\$ 546.55
Research: Plans, Permit History, Funding Sources			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Review Accessibility Design Review Report From CASp Consultant and Proposed Plans. Issue a correction report and Input data into tracking systems			20	\$ -	\$ -	\$ 1,449.53	\$ 1,449.53	\$ 976.26	\$ 217.43	\$ 29.57	\$ 331.36	\$ 1,554.62	\$ 3,004.15
Review Revised Accessibility Design Review Report From CASp. Issue approval email and input data into tracking systems			6	\$ -	\$ -	\$ 434.86	\$ 434.86	\$ 292.88	\$ 65.23	\$ 8.87	\$ 99.41	\$ 466.39	\$ 901.24
Review work completed by RSC II on Design Review Report		4		\$ -	\$ 263.71	\$ -	\$ 263.71	\$ 177.61	\$ 39.56	\$ 5.38	\$ 60.28	\$ 282.83	\$ 546.55
HCIDLA New Construction/Predevelopment Phase Subtotal	0	8	32	\$ -	\$ 527.43	\$ 2,319.25	\$ 2,846.67	\$ 1,917.23	\$ 427.00	\$ 58.07	\$ 650.75	\$ 3,053.06	\$ 5,899.73

New Construction - Construction Phase																							
Review Accessibility Progress Inspection Report from CASp Consultant and schedule Progress Inspection			4	\$	-	\$	-	\$	289.91	\$	289.91	\$	195.25	\$	43.49	\$	5.91	\$	66.27	\$	310.92	\$	600.83
Progress Inspection of all units for compliance with Accessibility Standards			60	\$	-	\$	-	\$	4,348.59	\$	4,348.59	\$	2,928.77	\$	652.29	\$	88.71	\$	994.09	\$	4,663.86	\$	9,012.45
Technical Assistance			4	\$	-	\$	-	\$	289.91	\$	289.91	\$	195.25	\$	43.49	\$	5.91	\$	66.27	\$	310.92	\$	600.83
Create and issue corrections report for AcHP Progress Inspection. Input data into tracking system			8	\$	-	\$	-	\$	579.81	\$	579.81	\$	390.50	\$	86.97	\$	11.83	\$	132.54	\$	621.85	\$	1,201.66
Review Final Accessibility Report from CASp consultant			6	\$	-	\$	-	\$	434.86	\$	434.86	\$	292.88	\$	65.23	\$	8.87	\$	99.41	\$	466.39	\$	901.24
Conduct Final AcHP Final Accessibility Inspections of all units			60	\$	-	\$	-	\$	4,348.59	\$	4,348.59	\$	2,928.77	\$	652.29	\$	88.71	\$	994.09	\$	4,663.86	\$	9,012.45
Create and issue corrections report for Final AcHP Accessibility Inspection			6	\$	-	\$	-	\$	434.86	\$	434.86	\$	292.88	\$	65.23	\$	8.87	\$	99.41	\$	466.39	\$	901.24
LCM Site Inspection			8	\$	-	\$	-	\$	579.81	\$	579.81	\$	390.50	\$	86.97	\$	11.83	\$	132.54	\$	621.85	\$	1,201.66
Final Closeout Documents and data input into tracking Systems			6	\$	-	\$	-	\$	434.86	\$	434.86	\$	292.88	\$	65.23	\$	8.87	\$	99.41	\$	466.39	\$	901.24
Review RCS II work on Final Inspection Report and close out documents		3		\$	-	\$	197.79	\$	-	\$	197.79	\$	133.21	\$	29.67	\$	4.03	\$	45.21	\$	212.12	\$	409.91
Final Review and Approval	1			\$	85.88	\$	-	\$	-	\$	85.88	\$	57.84	\$	12.88	\$	1.75	\$	19.63	\$	92.10	\$	177.98
HCIDLA New Construction/Construction Phase Subtotal	1	3	162	\$	85.88	\$	197.79	\$	11,741.18	\$	12,024.85	\$	8,098.73	\$	1,803.73	\$	245.31	\$	2,748.88	\$	12,896.65	\$	24,921.49
HCIDLA Subtotal	1	11	194	\$	85.88	\$	725.21	\$	14,060.43	\$	14,871.52	\$	10,015.97	\$	2,230.73	\$	303.38	\$	3,399.63	\$	15,949.70	\$	30,821.22
(Third Party) LCM Cost for Intial Inspection and Report									\$	6,300.00													
(Third Party) LCM Cost for Final Inspection and Issuance of Certificate of Complaince									\$	5,250.00													
Third Party Subtotal									\$	11,550.00												\$	11,550.00
TOTAL COST ESTIMATE FOR REHAB									\$	23,574.85	\$	8,098.73	\$	1,803.73	\$	245.31	\$	2,748.88	\$	12,896.65	\$	42,371.22	

Hourly Rate Salary, use top step	Hourly	# of Positions
Director of Housing (Use Chief MA salary)	\$ 85.88	1.00
RCS I	\$ 55.47	3.00
RCS II	\$ 65.93	6.00
RCS III	\$ 72.48	1.00

this scope of work?

this scope of work

SUMMARY OF AcHP ACTIVITIES/POLICY	HOURS			SALARIES				INDIRECT COSTS					
Rehabilitation - Predevelopment Phase	0.00	12.00	72.00	\$ -	\$ 791.14	\$ 5,218.30	\$ 6,009.44	\$ 4,047.36	\$ 901.42	\$ 122.59	\$ 1,373.76	\$ 6,445.13	\$ 12,454.57
Rehabilitation - Construction Phase	2.00	10.00	166.00	\$ 171.75	\$ 659.28	\$ 11,596.23	\$ 12,427.27	\$ 8,369.77	\$ 1,864.09	\$ 253.52	\$ 2,840.87	\$ 13,328.25	\$ 25,755.51
Rehabilitation Total Hours/Cost	2.00	22.00	238.00	\$ 171.75	\$ 1,450.42	\$ 16,814.53	\$ 18,436.71	\$ 12,417.13	\$ 2,765.51	\$ 376.11	\$ 4,214.63	\$ 19,773.37	\$ 38,210.09
With Third Party Consultants													\$ 49,760.09
New Construction - Predevelopment Phase	0.00	8.00	32.00	\$ -	\$ 527.43	\$ 2,319.25	\$ 2,846.67	\$ 1,917.23	\$ 427.00	\$ 58.07	\$ 650.75	\$ 3,053.06	\$ 5,899.73
New Construction - Construction Phase	1.00	3.00	162.00	\$ 85.88	\$ 197.79	\$ 11,741.18	\$ 12,024.85	\$ 8,098.73	\$ 1,803.73	\$ 245.31	\$ 2,748.88	\$ 12,896.65	\$ 24,921.49
New Construction Total Hours/Cost	1.00	11.00	194.00	\$ 85.88	\$ 725.21	\$ 14,060.43	\$ 14,871.52	\$ 10,015.97	\$ 2,230.73	\$ 303.38	\$ 3,399.63	\$ 15,949.70	\$ 30,821.22
With Third Party Consultants			216.00										\$ 42,371.22

## Occupancy Monitoring Summary

Work Activities	Tasks	Cost	Unit	Outside issuers
New Project Set Up	1a	1,637.62	Per new project	Does not apply
New Project Owner Trainings	1b	46.53	Per new project	Does not apply
Background Checks	2	1,324.14	Per new project	Applies <b>CONTRIBUTES TO APPLICATION PROCESSING FEE</b>
UFBA OM Contract Management and Owner Updates	3,5	212.93	Per project per year	Does not apply
Occupancy Monitoring	4	24.64	Ave. per unit per year	Does not apply
Housing Listing Service	6	110.30	Per project per year	Annual, if charged <b>SUM OF 3 HIGHLIGHTED FIGURES</b>
Public Information Inquiries, Referrals & Research	7a, 7b	229.29	Per project per year	Annual, if charged <b>CONTRIBUTES TO PROPOSED</b>
Audits and Mandated Reporting	8	17.69	Per project per year	Annual, if charged <b>ANNUAL ISSUER FEE</b>
Compliance Inquiries	9	1,504.50	Per project compliance issue	Does not apply
Noncompliant and Nonresponsive Owners	10	1,285.96	Per project compliance issue	Does not apply
Default Proceedings	11	113,183.09	Total costs annually	Does not apply
Owner Appeals	12	2,177.48	Per appeal	Does not apply

Housing Listing, Public Info, and Audits Combined

357.28



ENTER HOURS FOR SINGLE TASK/ACTIVITY

**DO NOT ENTER IN CELLS BELOW - ALL FORMULA-BASED**

**C-9**

FIGURE DIVIDED BY FREQUENCY

HCIDLA Staffing OM Program						ENTER HOURS FOR SINGLE TASK/ACTIVITY						DO NOT ENTER IN CELLS BELOW - ALL FORMULA-BASED												
Task	Staff Time					Salaries					Costs for Staff Activities				Department Overhead	Total Costs Per Unit of Activity	Potential Cost Recovery Fees (see	BUDGET COMPARISON =Total Costs for "Multiply By" for activity						
	Sr HPEA	Mgmt Analyst	Mgmt Assistant	Sr Admin Clerk	FDO I	Frequency	Sr HPEA	Mgmt Analyst	Mgmt Assistant	Sr Admin Clerk	FDO I	Direct Salaries	Indirect Costs - CAP40	Allocated Lease & Parking					Allocated Other Costs					
Salaries and Rates>>>							78.72	43.22	26.74	31.84	61.84	=sum Salaries	67.35%	15.00%	2.85%	22.86%	=sum Salaries + Costs)	=Total Costs for 1x activity						
7a. Public Information Inquiries & Referrals	0.27	0.47	0.14	0.27	0.17	3,100.00	21.54	20.11	3.66	8.71	10.57	64.59	43.50	9.69	1.84	14.76	134.38	134.38	152,252.58					
7b. Public Information Research	0.18	0.18	0.18	0.36	0.18	1,033.33	14.36	7.88	4.88	11.61	11.28	50.02	33.69	7.50	1.42	11.43	104.06	104.06	107,529.32					
8. Audits & Mandated Reporting	0.10	0.07	-	-	0.05	1,133.00	5.56	0.76	-	-	2.18	8.50	5.73	1.28	0.24	3.19	17.69	17.69	20,047.93					
9. Compliance Inquiries	0.25	13.75	3.85	1.75	1.38	144.00	15.74	525.90	71.60	42.64	67.24	723.12	487.02	108.47	20.58	165.31	1,504.50	1,504.50	216,648.49					
10. Noncompliant and Nonresponsive Owners	-	19.50	1.00	0.50	6.50	125.00	-	410.63	26.74	15.92	164.80	618.09	416.28	92.71	17.59	141.29	1,285.96	1,285.96	160,745.56					
11. Default Proceedings	120.00	1,040.00	-	-	-	1.00	9,446.83	44,953.50	-	-	-	54,400.33	36,638.62	8,160.05	1,548.18	12,435.91	113,183.09	113,183.09	113,183.09					
12. Owner Appeals	10.00	25.00	-	-	-	24.00	787.24	259.35	-	-	-	1,046.58	704.87	156.99	29.78	239.25	2,177.48	2,177.48	52,259.45					
Total HCID OM Costs	132.21	1,130.53	5.57	9.67	10.14	n/a	10,397.01	47,541.26	117.58	290.15	365.23	58,707.89	39,539.77	8,806.18	1,670.76	13,421.87	1,062,341.02	121,787.97	2,439,336.14					

# bae urban economics

## Memorandum

**To:** Brittany Batong  
Housing Development Bureau, Operations  
Housing & Community Investment Department (HCIDLA)

**From:** Lisa Varon, Vice President  
Matt Kowta, Managing Principal

**Date:** August 13, 2020

**Re:** Occupancy Monitoring Cost Recovery Fee Analysis

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The purpose of this study is to analyze a potential Occupancy Monitoring cost (OM) recovery fee for the City of Los Angeles Housing + Community Investment Department (HCIDLA).

This memorandum outlines the assumptions and calculations associated with BAE's determination of potential cost recovery fees for activities associated with OM under two different sets of program staffing assumptions, both assuming zero percent staff vacancy.

Currently, OM receives cost recovery fees for 12,883 units with Land Use Covenants ("Land Use" units) via the annual Land Use Fee. The remainder of the HCIDLA inventory – 32,992 units – is monitored without any OM cost recovery fees charged to developers or owners.

In summary, this study determines that:

- For Scenario 1, based on current staffing levels, \$86.47 to \$86.75 is the estimated cost per unit per year for occupancy monitoring activities not funded by Land Use fee revenue. Scenario 1 would generate total revenue of \$72,522 in FY21, \$134,027 in FY22, and from \$164,154 to \$173,838 in FY23. If the OM fee is implemented, these revenues would cover only 2.6 percent to 6.3 percent of OM's Non-Fee Funded Expenses annually.
- For Scenario 2, based on current staffing levels plus one full-time Accountant to manage fee billing, \$87.89 to \$88.17 is the estimated cost per unit per year for occupancy monitoring activities not funded by Land Use fee revenue. Scenario 2 would generate revenue of \$73,708 in FY21, \$136,218 in FY22, and \$161,343 to \$170,851 in FY23. If the OM fee is implemented, these revenues would cover only 2.5 percent to 6.3 percent of OM's Non-Fee Funded Expenses annually.

### San Francisco

2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

### Sacramento

803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

### Los Angeles

448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

### Washington DC

1140 3<sup>rd</sup> St. NE, 2<sup>nd</sup> Floor  
Washington, DC 20002  
202.588.8945

### New York City

234 5<sup>th</sup> Ave.  
New York, NY 10001  
212.683.4486

[www.bae1.com](http://www.bae1.com)

The primary reason why a potential OM fee would generate such low levels of fee is because the OM fee would be required to have several exceptions including existing units, units that pay the Land Use fee, and special needs units. Additionally, while not accounted for in this study, units in bond-only funded developments with outside issuers (i.e. not HCIDLA financed) would also be exempt because the outside issuers provide their own occupancy monitoring.

## OM Program Overview

The Occupancy Monitoring and Covenant Program (OM) monitors and investigates units in HCIDLA's affordable housing portfolio to ensure compliance with federal, State, and local affordable housing requirements, and carries out enforcement activities as necessary. Specifically, OM is charged with ensuring owner compliance with asset management, property management, and household eligibility standards such as household size and income. A description of OM program activities is provided as Appendix A.

As of May 2020, OM monitored an affordable housing inventory of 45,875 units. HCIDLA categorizes the inventory by the primary funding or regulatory requirements as follows: Affordable Housing Bond Program (AHBP), Community Redevelopment Agency of Los Angeles (CRA/LA), Earthquake (EQ), Major Projects, Neighborhood Preservation Program (NPP), and Neighborhood Stabilization Program. Table 1, below, provides the total number of current portfolio projects and units by category.

**Table 1: HCIDLA Affordable Housing Inventory**

Program Name	Number of Projects	Number of Restricted Units	Percentage of Inventory
Affordable Housing Bond Program (AHBP)	217	9,075	19.8%
Community Redevelopment Agency/Los Angeles (CRA/LA)	379	14,068	30.7%
Earthquake (EQ)	78	856	1.9%
Major Projects	411	15,647	34.1%
Neighborhood Preservation Program (NPP)	14	184	0.4%
Neighborhood Stabilization Program (NSP)	34	196	0.4%
Land Use Only	571	5,849	12.7%
<b>TOTAL</b>	<b>1,704</b>	<b>45,875</b>	<b>100.0%</b>

Sources: HCIDLA, 2020; BAE, 2020

## Budget Assumptions

To determine a per unit cost recovery fee for Occupancy Monitoring, BAE worked with HCIDLA staff to develop a set of budget assumptions that could be applied for three fiscal years - from July 1, 2020 through June 30, 2023. During this three-year period, it is assumed that the fee would remain at the same amount.

### *Total Units Projected to Pay Fees*

As provided above in Table 1, the HCIDLA affordable housing portfolio consists of 45,875 units in FY20 and increases to 50,489 units by FY23. Table 2, below, shows the number of new housing units projected receive Certificates of Occupancy (C of O) from FY20 through FY23.



Approximately 1,400 to 1,600 new units are projected annually, resulting in a total projections of approximately 50,500 units by FY23.

**Table 2: Projected Number of HCIDLA Units, FY21 through FY23**

<b>Fiscal Year</b>	<b>Total Portfolio Units</b>	<b>C of O Units</b> (a)
FY20	45,875	1,588
FY21	47,463	1,626
FY22	49,089	1,400
FY23	50,489	n/a

Notes:

(a) Projected number of units in the Managed Pipeline including acquisition/rehab and new construction that will receive certificate of occupancy each fiscal year.

Sources: HCIDLA, 2020; BAE, 2020

This analysis assumes that Land Use units would be exempt from a potential OM fee since Existing units are subject to Regulatory Agreements that would not allow for an HCIDLA cost recovery fee. Land Use units pay an annual fee that covers occupancy monitoring activities. Special needs units are exempt from paying the Land Use fee and would therefore likely not be required to pay an OM fee. Another key assumption is that only new units receiving a certificate of occupancy (C of O) would be required to pay the potential fee and that acquisition/rehab units would be exempt. Lastly, bond-only financed projects where HCIDLA is not the bond issuer would also be exempt because outside issuers conduct their own occupancy monitoring. *In sum, there are five types of units that would be excepted from a potential OM fee based on current HCIDLA policies: 1) Existing HCIDLA units; 2) New Land Use units; 3) Special Needs Units; 4) Acquisition / Rehabilitation units; and 5) Units financed with bond-only developments with outside issuers.*

For this report, HCIDLA provided the number of units anticipated to receive C of O for FY20 through FY22. Table 3, below, shows that the number of new Land Use units each year would range from 663 to 917 units. All of the Land Use units are new construction. Of the Land Use Covenant units, a range of 483 to 900 units each year are designated supportive housing and, as such, are exempt from the Land Use fee.

The number of units not subject to the Land Use fee (shown in the “No Land Use Covenants” column), and that would be eligible to pay a potential OM fee, ranges from 610 to 836 units annually. These unit counts include both acquisition/rehabilitation and supportive housing units and do not assume that any unit types would be exempted from an OM fee.

**Table 3: Total Portfolio Units and Units Projected to Pay the Land Use Fee, FY20 through FY23**

Total Portfolio Units	Projected Units					
	C of O Units (a)	Percentage of New Units	Land Use Covenants	Exempt from Land Use Fee (d)	Subject to Land Use Fee	No Land Use Covenants (e)
45,875	1,588	47% (b)	752 (b)	548	204	836
47,463	1,626	56% (b)	917 (b)	900	17	709
49,089	1,400	52% (c)	663-790 (c)	483-775	15-180	610-737
50,489	n/a		n/a	n/a	n/a	n/a

Notes:

(a) Projected number of units in the Managed Pipeline including acquisition/rehab and new construction that will receive certificate of occupancy each fiscal year.

(b) Number of projected units with Land Use Covenants.

(c) FY23 number of Land Use Covenant units projected at a range of 47 percent (FY20) to 56 percent (FY21). Due to the availability of only two data points, BAE is showing a range versus an average.

(d) Supportive housing exempted from the Land Use Covenant fee. FY20 and FY21 are actuals and FY22 is estimated at 70 percent of Land Use units for that year.

(e) C of O units less projected total Land Use Covenant units.

Sources: HCIDLA, 2020; BAE, 2020

### Revenues

A total of 12,883 units pay the City of Los Angeles annual Land Use fees ranging from \$25 to \$173 per unit per year. Based on HCIDLA records, this Land Use fee could generate up to approximately \$1.3 million per year. Table 4, below, provides a breakdown of the number of units that are billed each fee amount and the Land Use fee's projected annual revenue at 100 percent participation. The current \$173 per unit fee (charged to newly constructed units) was developed through a cost-tasking method that tracked staff hours necessary to perform specific activities associated with enforcing Land Use Covenants (such as initial household income certifications). This approach to fee development differs from the methodology for this analysis, which determines average cost per unit across the portfolio. For FY21, this Land Use Fee was collected for 72 percent of the units subject to the fee.

**Table 4: Current Land Use Covenant Fees**

Fee Amount	Number of Units	Percentage of Units	Projected Annual Revenue
\$25	66	1%	\$1,650
\$50	4,712	37%	\$235,600
\$75	164	1%	\$12,300
\$100	10	0%	\$1,000
\$135	7,730	60%	\$1,043,145
\$173	158	1%	\$26,604
No Info	43	0%	\$0
<b>Totals</b>	<b>12,883</b>	<b>100%</b>	<b>\$1,320,299</b>

Sources: HCIDLA, 2020; BAE, 2020

Revenue for the Land Use fee is expected to increase each year based on the number of Land Use units required to pay the fee. Annual revenue for Land Use fees, shown below in Table 5,

is projected at approximately \$1.32 million in FY20, increasing to a range of \$1.36 million to \$1.39 million by FY23.

**Table 5: Year-to-Year Land Use Fee Revenue Projections**

<b>Fiscal Year</b>	<b>Current Units</b>	<b>Units Added (a)</b>	<b>Land Use Fee Amount</b>	<b>Additional Revenue</b>	<b>Projected Annual Land Use Revenue</b>
<b>FY20</b>	12,883	n/a	Varies	n/a	\$1,320,299
<b>FY21</b>	n/a	204	\$173	\$35,292	\$1,355,591
<b>FY22</b>	n/a	17	\$173	\$2,941	\$1,358,532
<b>FY23</b>	n/a	15-180	\$173	\$2,595 to \$31,140	\$1,361,127-\$1,389,672 (b)

Notes:

(a) Number of Land Use units projected to pay the fee. Projected supportive housing units exempted and not included.

(b) Number of Land Use Covenant units projected at a range of 47 percent (FY20) to 56 percent (FY21)

Sources: HCIDLA, 2020; BAE, 2020

### ***Expenses***

The expense projections in this analysis apply the following common assumptions:

1. Salaries are drawn from the FY21 Chief Administrative Officer Wages and Count – Employee Compensation Department Summary.
2. Vacancy rates are calculated at zero percent.
3. Cost of Living Adjustments (COLA) are assumed at three percent, and are applied to salaries, leases, and related costs for years two and three.
4. Indirect costs associated with HCIDLA personnel are calculated using the following factors applied to total HCIDLA salaries:
  - Indirect Costs, as defined by Cost Allocation Plan 42 (CAP-42), at 67.35 percent;
  - Allocated Lease and Parking at 15 percent; and
  - General Administration Support Program (GASP) rate, which estimates overhead, at 22.86 percent.
5. Indirect costs associated with City Attorney personnel are calculated using the following factors:
  - Indirect Costs at 51.93 percent, as defined by CAP-42, for City Attorney staff occupying City space;
  - Allocated Lease and Parking at zero percent, as City Attorney staff would not be occupying HCIDLA space; and
  - GASP rate of zero percent, as City Attorney personnel are not a part of the HCIDLA staff.

### ***Staff Expenses***

For Scenario 1, salaries are calculated based on a total of 12 full-time and one part-time staff assigned to the OM unit, as follows:

- Three Senior Administrative Clerks
- One Management Assistant

- Six Management Analysts
- One Senior Housing Planning and Economic Analyst
- One Finance Development Officer I (FDO I)
- One Deputy City Attorney III is assigned at 33 percent time
- One Director of Housing at 50 percent time
- One Secretary at 50 percent time

Scenario 2 includes costs for the staff positions in Scenario 1 above plus one full-time Accountant to administer the potential OM fee. Total annual cost to add the Accountant equals \$142,493 in FY21.

#### *Non-Staff Expenses*

Non-staff expenses are primarily related to two contracts with vendors to conduct aspects of OM work. For FY21, the occupancy monitoring contract with Urban Futures Administration is budgeted at \$1,359,938 and the housing listing services contract with Emphsys is budgeted at \$76,000. Additional costs are budgeted at \$8,263 for overtime, printing and binding, contractual services, and office and administrative activities.

### **Budget and Fee Projections**

The OM budget is analyzed for two operating scenarios. Scenario 1 assumes that staffing would remain as currently organized. Scenario 2 assumes that one full-time accountant would be added to administer the fee. This section of the memorandum also calculates the average cost per unit for OM operations, and projects the amount of revenues that could be generated by the potential OM fee. The OM fee projections are based on the assumption that the Land Use Fee, currently in place, will continue to generate revenue for OM operations. Specifically, for FY23, the total number of Land Use units that will pay the Land Use fee is based on the fee-paying units percentages from FY21 and FY22 (see Table 3) and identified as “Low LU” fee and a “High LU fee”. BAE provides this range due to using only two years of two data points.

#### *Scenario 1 – Current Staffing*

The budget for Scenario 1, provided in Table 6 below, projects that Land Use fees will generate revenue of \$1.36 million to \$1.43 million per year from FY21 through FY23, and that expenses will range from \$4.2 million to \$4.5 million per year. As a result, expenses not paid for by Land Use fees total \$2.8 million to \$3.15 million annually. These non-fee funded expenses cost \$86.47 to \$86.75 per unit per year for the three-year period.

**Table 6: Scenario 1 Budget and Cost Per Unit Projections**

	<b><u>FY20</u></b>	<b><u>FY21</u></b>	<b><u>FY23</u></b>	<b><u>FY23</u></b>
<b><u>Revenue</u></b>			<i>Low LU</i>	<i>High LU</i>
Land Use Fees Collected	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
Total Revenue	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
<b><u>Expenses</u></b>				
Salaries, General	\$1,364,998	\$1,405,948	\$1,448,126	\$1,448,126
Salaries, Overtime	\$389	\$389	\$389	\$389
Printing & Binding	\$323	\$323	\$323	\$323
Contractual Services	\$1,436,122	\$1,507,928	\$1,583,324	\$1,583,324
Office & Administrative	\$7,366	\$7,366	\$7,366	\$7,366
Leasing	\$195,727	\$201,599	\$207,647	\$207,647
GASP	\$280,281	\$288,689	\$297,350	
Related Costs	\$910,050	\$937,352	\$965,472	\$965,472
Total Expenses	\$4,195,256	\$4,349,594	\$4,509,998	\$4,509,998
<i>Non-Fee Funded Expenses</i>	<i>\$2,839,665</i>	<i>\$2,991,062</i>	<i>\$3,148,871</i>	<i>\$3,120,326</i>
Total Units (b)	33,828	34,537	35,147	35,147
Three-Year Non-Fee Funded Expenses			\$8,979,598	\$8,951,053
Three-Year Total Units (a)			103,512	103,512
<b>Non-Fee Funded Expenses on a Per Unit Basis</b>			<b>\$86.75 (a)</b>	<b>\$86.47</b>

Note:

(a) Does not include units subject to the Land Use Covenant Fee.

(b) Land Use Fee projections shown at 100 percent, although HCIDLA anticipates a 72 percent collection rate equal to the FY21 actual collection rate.

**Sources:** *HCIDLA, 2020; BAE, 2020.*

### ***Scenario 2 – Current Staffing Plus One Accountant***

The budget for Scenario 2, provided in Table 7 below, projects that Land Use fees will generate revenue of \$1.36 million to \$1.43 million per year from FY21 through FY23, which are the same revenue projections as Scenario 1. Scenario 2 adds the costs of one Accountant to the OM staff. Expenses range from \$4.25 million to \$4.56 million per year. As a result, expenses not paid for by Land Use fees total \$2.8 million to \$3.1 million annually. These non-fee funded expenses cost \$87.89 to \$88.17 per unit per year for the three-year period.

**Table 7: Scenario 2 Budget and Cost Per Unit Projections**

	<u>FY20</u>	<u>FY21</u>	<u>FY23</u>	<u>FY23</u>
<b><u>Revenue</u></b>			<i>Low LU</i>	<i>High LU</i>
Land Use Fees	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
Total Revenue	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
<b><u>Expenses</u></b>				
Salaries, General	\$1,374,753	\$1,415,996	\$1,458,475	\$1,458,475
Salaries, Overtime	\$389	\$389	\$389	\$389
Printing & Binding	\$323	\$323	\$323	\$323
Contractual Services	\$1,436,122	\$1,507,928	\$1,583,324	\$1,583,324
Office & Administrative	\$7,366	\$7,366	\$7,366	\$7,366
Leasing	\$206,213	\$212,399	\$218,771	\$218,771
GASP	\$295,297	\$304,156	\$313,281	
Related Costs	\$925,896	\$953,673	\$982,283	\$982,283
Total Expenses	\$4,246,360	\$4,402,231	\$4,564,214	\$4,564,214
<i>Non-Fee Funded Expenses</i>	<i>\$2,890,769</i>	<i>\$3,043,699</i>	<i>\$3,203,087</i>	<i>\$3,174,542</i>
Total Units (b)	33,828	34,537	35,274	35,274
Three-Year Non-Fee Funded Expenses			\$9,137,554	\$9,109,009
Three-Year Total Units (a)			103,639	103,639
<b>Non-Fee Funded Expenses on a Per Unit Basis</b>			<b>\$88.17 (a)</b>	<b>\$87.89</b>

Note:

(a) Does not include units subject to the Land Use Covenant Fee.

(b) Land Use Fee projections shown at 100 percent, although HCIDLA anticipates a 72 percent collection rate equal to the FY21 actual collection rate.

Sources: HCIDLA, 2020; BAE, 2020.

### ***Potential OM and Land Use Fee Revenue Projections***

The following projections, provided in Table 8, consider that only new C of O units *not subject* to the Land Use fee would pay a potential OM fee.

- Scenario 1, at an annual fee of \$86.75 per unit, would generate revenue of \$75,222 in FY21, \$134,027 in FY22, and \$164,154 to \$173,838 in FY23. These amounts would cover 2.6 percent to 6.3 percent of OM's Non-Fee Funded Expenses.
- Scenario 2, at an annual fee of \$88.17 per unit, would generate revenue of \$73,708 in FY21, \$136,218 in FY22, and \$161,343 to \$170,851 in FY23. These amounts would cover 2.5 percent to 6.3 percent of OM's Non-Fee Funded Expenses.

**Table 8: Revenue Projections for Scenario 1 and Scenario 2**

Fee Year	New Units Paying Fee (a)	Cumulative New Units Paying Fee	Scenario 1 Revenue Generated from Fee (b)	Percentage of Non-Fee Funded Expenses	Scenario 2 Revenue Generated from Fee (b)	Percentage of Non-Fee Funded Expenses
FY21	836	836	\$72,522	2.6%	\$73,708	2.5%
FY22	709	1,545	\$134,027	4.5%	\$136,218	4.5%
FY23	610-737	2,155-2,282	\$164,154-\$173,838	5.9%-6.3%	\$161,343-\$170,851	5.9%-6.3%

Notes:

(a) Units not subject to Land Use fees, and therefore anticipated to pay the potential OM fee.

(b) Assumes "Low LU" fee of \$86.75 per unit per year.

(c) Assumes "Low LU" fee of \$88.17 per unit per year.

Sources: HCIDLA, 2020; BAE, 2020.

During the same three-year period, the number of Land Use units paying fees will also increase. If the proportion of supportive housing units and the proportion of acquisition/rehabilitation units remain the same as the portfolio averages presented earlier in this report, revenue generated from the fee will total \$35,292 in FY21, \$38,233 in FY22, and \$40,828 to \$69,373 in FY23. These revenue amounts would cover 1.4 percent to 2.6 percent of the Non-Fee Funded Expenses for Scenario 1, and 1.4 percent to 2.8 percent of the Non-Fee Funded Expenses for Scenario 2.

**Table 9: Revenue Projections for Land Use Fee, Occupancy Monitoring**

Fee Year	New Units Paying Fee (a)	Cumulative New Units Paying Fee	Revenue Generated from Fee (b)	Percentage of Non-Fee Funded Expenses Scenario 1	Percentage of Non-Fee Funded Expenses Scenario 2
FY21	204	204	\$35,292	1.4%	1.4%
FY22	17	221	\$38,233	1.5%	1.5%
FY23	15-180	236-401	\$40,828-\$69,373	1.6%-2.6%	1.7%-2.8%

Notes:

(a) Units Land Use paying fees and not exempted.

(b) Assumes fee of \$173 per unit per year.

Sources: HCIDLA, 2020; BAE, 2020.

### ***Average Cost Per Unit***

Scenarios 1 and 2 provide potential cost recovery fee amounts based on certain assumptions for Land Use fee revenue. They do not represent the average cost per unit across the full HCIDLA portfolio. Understanding that Land Use Covenant activities require higher levels of staff expertise and more staff time than typical units, and that the costing method for the Land Use fee is based on hourly costing versus a total program fee per unit analysis which is conducted in this report, it is expected that the average cost per unit would be less than the Land Use fee. The average cost per unit for Scenario 1 equals \$88.78 and the average cost per unit for Scenario 2 equals \$89.86.

**Table 10: Average Cost Per Unit for Occupancy Monitoring, by Scenario**

Fee Year	Total Units (a)	Budget Scenario 1 (b)	Average Cost Per Unit		Average Cost Per Unit Scenario 2 (c)
			Scenario 1	Budget Scenario 2	
FY21	47,463	\$4,195,256	\$88.39	\$4,246,360	\$89.47
FY22	49,089	\$4,349,594	\$88.61	\$4,402,231	\$89.68
FY23	50,489	\$4,509,998	\$89.33	\$4,564,214	\$90.40
Totals	147,041	\$13,054,848		\$13,212,804	
Avg.	49,014	\$4,351,616	\$88.78	\$4,404,268	\$89.86

Notes:

(a) Number of existing units plus all new units added in the previous fiscal year.

(b) Budget Scenario 1 reflects current staffing. Indirect costs calculated from the resulting salaries budget. Assumes zero staff vacancy.

(c) Budget Scenario 2 reflects current staffing plus an accountant position. Indirect costs calculated from the resulting salaries budget. Assumes zero staff vacancy.

Sources: HCIDLA, 2020; BAE, 2020.

## Peer Jurisdictions Cost Recovery Survey

For this fee study, BAE surveyed affordable housing staff at eight other California jurisdictions identified by HCIDLA regarding their fee practices for functions like those carried out by OM. These jurisdictions included San Francisco, Sacramento, Alameda County, San Diego Housing Commission, Contra Costa County, and Anaheim.

### *Size of Managed Portfolios*

As a starting point, BAE surveyed agencies regarding the total number of affordable units (or projects) in their managed portfolio. As Table 11 indicates, HCIDLA's managed portfolio is the largest. It is nearly double the inventory of agencies with the next largest portfolios—San Francisco and Sacramento. It should be noted that this chart compares agency-to-agency “point in time” data as of May 2019 at 43,542 units for HCIDLA whereas the fee analysis section uses May 2020 total of 45,875 units for HCIDLA.

**Table 11: Total Number of Restricted Units/Projects by Agency, As of May 2019**

Agency	Managed Portfolio (# Units) (a)
City of LA - HCIDLA	43,542
San Francisco - MOHCD	22,000
Los Angeles County - CDC	10,228
Sacramento	22,000
Alameda County - CDA	1,400
San Diego Housing Commission	19,000
Contra Costa County	95 projects
Anaheim	3,830

Notes:

(a) Includes all units in agencies' managed portfolios. Generally inclusive of Land Use (e.g. Density Bonus) units with the exception of Alameda County.



Sources: Agency Interviews, April and May 2019

### ***Cost Recovery Fees***

BAE surveyed agencies regarding annual monitoring fees (if any), annual reporting requirements, the frequency of onsite monitoring and file review, and whether outside consultants were used. In addition, BAE requested information on how the monitoring fee rates are calculated. A matrix summarizing the highlights of each program is provided as Appendix B and a list of survey questions is provided as Appendix C.

Because compliance monitoring fees for bond-funded units are typically rolled into the associated bond's annual administration fee, Table 12 isolates compliance monitoring fees for non-bond projects only, such as HOME, CDBG, and those receiving "gap" financing. Aside from San Francisco, HCIDLA is the only agency that does not charge a fee for compliance monitoring of non-bond, non-discretionary units. It should be noted that occupancy monitoring is typically only one part of a jurisdiction's affordable housing compliance monitoring program which, depending on project type, can include project residual receipts and reserves monitoring, social services monitoring, physical site/unit inspections, community benefits reporting, and regulatory agreement compliance monitoring.

- When fees are levied on a per-unit basis, the reported range is from \$50/unit/year (Anaheim) to \$300/unit/year (Alameda County). In general, agencies report that fees are expected to cover a portion of overall compliance cost, but not all.
- In general, when fees are levied for compliance monitoring, it is in the context of a new project, or a project placed into service after the fee came into effect.
- All agencies reported compliance monitoring fees that are levied on a per-unit, per-year basis except for Los Angeles County. In this case, a one-time, minimum \$5,000 fee is currently applied.

**Table 12: Fee for Compliance Monitoring by Jurisdiction**

<b>Agency</b>	<b>Fee</b>	<b>Frequency</b>
San Francisco - MOHCD	none	N/A
Los Angeles County - CDC	\$5,000	one-time
Alameda County - CDA	\$300	per unit, per year
Sacramento	\$900	initial fee and
	\$28	per inspected unit per year
San Diego Housing Commission	\$150	per unit, per year
Contra Costa County	\$250	per unit, per year
Anaheim	\$50	per unit, per year

Sources: Agency Interviews, April and May 2019; Sacramento Housing and Redevelopment Agency Schedule of Fees, January 2019; BAE, 2019.

### ***Program Descriptions***

Following are brief descriptions of the activities carried out by each of the surveyed agencies for functions similar to occupancy monitoring.

#### ***Los Angeles Community Development Commission (County of Los Angeles)***

Los Angeles County charges an up-front \$5,000 minimum fee for NOFA-funded projects, which is based on a one-time per-unit fee of \$560 per unit. Inspections are conducted on the following cycle: One-to-four-unit projects are reviewed every three years (25 percent of units in project); 5-to-25-unit projects are reviewed every two years (15 percent of units); projects with more than 26 units are reviewed every year (10 percent of units).

#### ***Mayor's Office of Housing, City and County of San Francisco***

San Francisco does not currently charge an annual monitoring fee, due in part to a sense that it might be politically infeasible given the high cost of local development. An Annual Monitoring Report for each property must be submitted each year, with physical inspections scheduled not on a specific timeline but as needed on a "Risk Assessment" basis.

#### ***San Diego Housing Commission***

San Diego charges an annual monitoring fee of \$150 per restricted unit, a fee derived from a cost recovery study conducted approximately six years ago. Owners must submit a Tenant Form and Certificate of Compliance for each unit, each year, with 25 percent of the units subject to a more intensive file review and/or site visit annually.

#### ***City/County of Sacramento***

The Sacramento Housing and Redevelopment Agency (Agency) charges an initial fee of \$900 and \$28 per inspected unit per year. Each year, approximately 20 percent of units in each applicable development are subject to both a file inspection and onsite monitoring. Additionally, the Agency has developed a detailed fee schedule for various work activities and fines for noncompliance.

#### ***Contra Costa County Department of Conservation and Development***

Contra Costa County charges an annual monitoring fee of \$250 per restricted unit. Owners must submit a Project Status Report each year, with approximately 15 percent of projects subject to onsite monitoring every three years.

#### ***Alameda County Community Development Agency***

Alameda County charges an annual monitoring fee of \$300 per restricted unit, for projects placed into service after 2015. Annually, owners must submit a Financial Report, Occupancy Report, Compliance Report, and Budget for the coming year, with onsite monitoring occurring every three years for HOME-funded projects, and every year for HOPFWA-funded projects.

### *Use of In-House Staff*

For routine compliance monitoring on all project unit types, most agencies rely exclusively on in-house staff. One agency (Alameda County), however, reported using two part-time consultants for more in-depth portfolio analysis and physical inspections. Anaheim reported the use of outside contractors, as well (Table 13).

- San Francisco, Sacramento, and San Diego were the only agencies surveyed whose compliance monitoring staff spend 100 percent of their time on compliance and monitoring.
- Other agencies such as Los Angeles County and Alameda County indicated that staff involved in compliance monitoring also have other roles.
- Anaheim and Alameda County were the only issuers that indicated the use of outside contractors for monitoring efforts in addition to in-house staff.

**Table 13: Use of In-House Staff for Compliance Monitoring (All Unit Types)**

<u>Agency</u>	<u>In-House Staff (a)</u>	<u>Time Spent on Compliance (% workload) (b)</u>	<u>Outside Contractors?</u>
City of LA - HCIDLA	11 FTE	100%	Yes
San Francisco - MOHCD	4 FTE (Bond) 4 FTE (Land Use)	Partial 100%	No
Los Angeles County - CDC	2 FTE	Partial	No
Sacramento	2 FTE	100%	No
Alameda County - CDA	3-4 FTE	Partial	Yes
San Diego Housing Commission	4 FTE	100%	No
Contra Costa County	1 FTE (Bond) 1 FTE (Non-Bond)	40% 25-30%	No
Anaheim	1 FTE	60%	Yes

Notes:

(a) With the exception of HCIDLA, excludes managers or supervisors not involved in actual monitoring efforts.

(b) Where no specific figure is provided by interviewees, "partial" indicates that staff time is spent on tasks unrelated to compliance.

Sources: Agency Interviews, April and May 2019; BAE, 2019.

## APPENDIX A: OM PROGRAM ACTIVITIES

The OM unit of HCIDLA conducts the following activities:

- **Background Checks:** Developers and owners must be in compliance with occupancy monitoring requirements across their City of Los Angeles portfolios before any new loans or transactions will be approved by HCIDLA. OM staff conduct a background check to ensure the compliance status of developers and owners requesting loan funds, loan subordinations, loan terminations, or similar transactions.
- **New Project Set Up:** OM staff ensure that new projects entered into HCIDLA's various computer systems are accurate, complete, and consistent.
- **Occupancy Monitoring:** HCIDLA assesses 100 percent of the inventory for whether owners are properly leasing units and meeting regulatory requirements. This work activity also entails regularly updating owner manuals and notices. OM staff oversee a contract with a third-party vendor Urban Futures Bond Administration (UFBA) to monitor individual units. The contract is billed on a per-unit basis and fees range based on the complexity of the unit's reporting requirements. OM staff manage the contracting process and oversee the vendor's work.
- **Housing Listing Service and Public Information/Referrals:** HCIDLA provides a housing listing service and a public information phone line and email. The housing listing service website is provided under contract with Emphysys Computer Systems. Public information and referral via phone and email is also provide by OM staff. Staff handle an estimated 3,100 public information inquiries each year.
- **Compliance Inquiries and Enforcement:** OM staff investigate various property and unit compliance issues, prepare notices to comply for owners, and meet with the owners to resolve the problems. If owners do not comply, or are non-responsive, staff prepare and submit a report to the City Attorney for enforcement. Owners can appeal HCIDLA's non-compliance findings. An appeal process follows, which involves further investigation and reporting by OM staff.
- **Reporting and Audits:** OM is responsible for annual reporting to both internal and external agencies such as the Los Angeles Count Development Authority (LACDA), the State of California Housing and Community Development Department (HCD), and the U.S. Department of Housing and Urban Development (HUD).

## APPENDIX B: PEER JURISDICTIONS INFORMATION MATRIX

**Table 14: Compliance Monitoring Information from Peer Cities (Page 1 of 3)**

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b># Units Monitored (All included)</b>	43,542 units	22,000 units	10,228 units	22,000 units	1,400 units	19,000 units	95 projects	3,830 units
<b>Required Annual Reporting</b>	No single annual report; OM and AHBP each require annual reports from owners, as do other HCIDLA compliance programs.	Annual Monitoring Report (AMR)	Annual Owner Certification Packet	Annual Filing: -Annual reporting -Quarterly resident services reports	Annual Filing of: -Financial Report -Occupancy Report -Compliance Report -Audit from prior year -Budget for coming year	Annual Filing of: -Certificate of Compliance -Tenant Form	Annual Project Status Report (PSR)	Annual Compliance Report
<b>Monitoring Frequency<sup>1</sup> (Non-Bond)</b>	Annual unit by unit occupancy monitoring reporting for 100 percent of HCIDLA inventory.	Onsite File Reviews: Periodic physical inspections; no timeline but based on a "Risk Assessment"	Onsite File Reviews:	Onsite File Reviews: 20 percent of units in every development are monitored each year	Onsite File Reviews: -Every three years for some (e.g., HOME-funded) -Annually for other funding sources (HOFPPWA)	Onsite File Reviews: Every year; 25 percent of units	Onsite File Reviews: Every 3 years; 15 percent of projects	Onsite File Reviews: No pre-determined schedule

<sup>1</sup> Some projects tied to specific funding sources (e.g., HOME) may have their own reporting schedule.

**Table 14: Compliance Monitoring Information from Peer Cities (Page 1 of 3)**

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b>Compliance Monitoring Fees on New Development</b>	<p>No fees are charged for OM monitoring or any other HCIDLA compliance monitoring.</p> <p>Land Use Unit charges fees for a variety of transactions and work activities, including monitoring, approved in 2016.</p>	No Fees	<p>NOFA-funded: \$5,000 one-time</p> <p>Density Bonus: \$165 per unit per year. If units exceed 10 units; cap total fee for 10.</p>	<p>Gap Financed: TBD</p> <p>Density Bonus: \$2,500 upfront \$2,742/unit/year (covers 55 years)</p> <p>\$0 Dev Program: \$2,500 upfront fee \$2,207/unit/year (covers 30 years)</p> <p>Charges owners a range of penalty fees from \$50 to \$500 for noncompliance.</p>	<p>\$300/unit/year for projects placed into service after 2015</p> <p>No monitoring fee charged for earlier projects.</p>	<p>\$150/unit/year</p> <p>Applies to existing developments as well, except for those that don't allow such fees (e.g., some former HOME projects)</p>	\$250/unit/year	\$50/unit/year
<b>Fee Calculation Cost Recovery Philosophy</b>	N/A	<p>Fee Recovery not politically feasible.</p> <p>Current CM efforts paid from Inclusionary Housing Fee Revenue and Housing Trust Fund.</p>	<p>LACDC is revising compliance fees with the next NOFA in 2019. Approach is to charge annually.</p> <p>Density bonus fee to completely cover costs</p>	Fees cover full cost and sometimes funds are left over.	Fees are only expected to cover a portion of overall compliance cost, but not all.	<p>Fees were expected to recover all costs plus overhead for new projects.</p> <p>Current fees are based on a Cost Recovery conducted 5-6 years ago.</p>		Looked at projects with similar compliance requirements in local area.

**Table 14: Compliance Monitoring Information from Peer Cities (Page 1 of 3)**

Jurisdiction	HCIDLA	San Francisco	LA County	Sacramento	Alameda County	San Diego	Contra Costa	Anaheim
<b>In-House Staff</b>	11 FTE	Inclusionary and DALP: 4 FTE 100% of time  100% Affordable: 4FTE -Asset management team spends all of their time on managing our multifamily assets, but no estimate of how much time they spend on the AMR process.	2 FTE Monitoring Analysts (Analyst 2 and 3) They're also involved in other work.	2.5 FTE Regulatory Compliance Analysts + .5 Manager	3-4 FTE handle routine monitoring (e.g., complying with CDLAC requirements), but that's not their main role.	4 FTE 100 percent of time spent Compliance Monitoring	1 FTE 25-30 percent of time spent Compliance Monitoring  1 FTE for bond 40 percent of time spent on Compliance Monitoring	1 FTE 60 percent of time spent on Compliance Monitoring
<b>Contractors/Consultants?</b>	Yes	No	No	No	Yes (2 Part Time)	Not Currently	No	Yes

## APPENDIX C: PEER JURISDICTIONS SURVEYS

### Affordable Housing Compliance Monitoring

1. Affordable Housing Compliance Monitoring Program Overview
  - a. How many affordable housing units (whether bond-funded, inclusionary, 100 percent affordable, etc.) does your agency monitor?
  - b. How is the monitoring conducted?
  - c. What is the frequency of monitoring and does it depend on the unit's funding source?
  - d. If your agency does not operate a compliance monitoring program, how does it ensure compliance?
2. Contractors/Consultants
  - a. Does your agency use an outside contractor, in-house staff, or a combination of both? If both, would you describe the division of work?
3. Compliance Monitoring Fees
  - a. Does your agency charge developers/owners any compliance monitoring fees? What fees are charged and how often?
  - b. Do the fees apply to existing developments or just new developments?
  - c. If your agency does not charge developers compliance monitoring fees, what source of funds pays for the expense of doing the work?
4. Fee Methodology
  - a. How are the fees calculated?
  - b. What is your agency's methodology for the fee calculations? For example, are you aiming for a percentage of targeted cost recovery? Is there a historical fee basis? How do you approach cost recovery for the cost of staff versus contractors and consultants? Do you seek to recover direct costs only, departmental overhead and indirect costs, citywide overhead and indirect costs?
  - c. What were the financial and policy considerations that established the fees?
  - d. Do you have any fee studies you would be willing to share?



ATTACHMENT E: OM STAFF COSTS SUMMARY

ASSUMPTIONS

Land Use Fees Projection	\$1,355,591			
Land Use Fees Collection Rate	72%	As of 6/30/20		Creates deficit
Annual COLA - Salaries, Leasing	1.03	Applied each to FY22 & FY23		
Annual COLA - Contracts	1.05	Applied each to FY22 & FY23		
Vacancy	0.00			

Budget Scenario 1: Current Staffing Assuming Land Use Fee Revenue				
	<u>FY20</u>	<u>FY21</u>	<u>FY23</u>	<u>FY23</u>
<u>Revenue</u>			<i>Low LU</i>	<i>High LU</i>
Land Use Fees Collected	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
Total Revenue	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
<u>Expenses</u>				
Salaries, General	\$1,364,998	\$1,405,948	\$1,448,126	\$1,448,126
Salaries, Overtime	\$389	\$389	\$389	\$389
Printing & Binding	\$323	\$323	\$323	\$323
Contractual Services	\$1,436,122	\$1,507,928	\$1,583,324	\$1,583,324
Office & Administrative	\$7,366	\$7,366	\$7,366	\$7,366
Leasing	\$195,727	\$201,599	\$207,647	\$207,647
GASP	\$280,281	\$288,689	\$297,350	\$297,350
Related Costs	\$910,050	\$937,352	\$965,472	\$965,472
Total Expenses	\$4,195,256	\$4,349,594	\$4,509,998	\$4,509,998
<i>Non-Fee Funded Expenses</i>	<i>\$2,839,665</i>	<i>\$2,991,062</i>	<i>\$3,148,871</i>	<i>\$3,120,326</i>
Total Units (a)	33,828	34,537	35,147	35,147
Three-Year Non-Fee Funded Expenses			\$8,979,598	\$8,951,053
Three-Year Total Units (a)			103,512	103,512
Non-Fee Funded Expenses on a Per Unit Basis			\$86.75 (b)	\$86.47

Budget Scenario 2: Current Staffing + Accountant Assuming Land Use Fee Revenue				
	<u>FY20</u>	<u>FY21</u>	<u>FY23</u>	<u>FY23</u>
<u>Revenue</u>			<i>Low LU</i>	<i>High LU</i>
Land Use Fees	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
Total Revenue	\$1,355,591	\$1,358,532	\$1,361,127	\$1,389,672
<u>Expenses</u>				
Salaries, General	\$1,374,753	\$1,415,996	\$1,458,475	\$1,458,475
Salaries, Overtime	\$389	\$389	\$389	\$389
Printing & Binding	\$323	\$323	\$323	\$323
Contractual Services	\$1,436,122	\$1,507,928	\$1,583,324	\$1,583,324
Office & Administrative	\$7,366	\$7,366	\$7,366	\$7,366
Leasing	\$206,213	\$212,399	\$218,771	\$218,771
GASP	\$295,297	\$304,156	\$313,281	\$313,281
Related Costs	\$925,896	\$953,673	\$982,283	\$982,283
Total Expenses	\$4,246,360	\$4,402,231	\$4,564,214	\$4,564,214
<i>Non-Fee Funded</i>	<i>\$2,890,769</i>	<i>\$3,043,699</i>	<i>\$3,203,087</i>	<i>\$3,174,542</i>
Total Units (b)	33,828	34,537	35,274	35,274
Non-Fee Funded			\$9,137,554	\$9,109,009
Three-Year Total Units (a)			103,639	103,639
Non-Fee Funded Expenses on a Per Unit Basis			\$88.17 (a)	\$87.89