



COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
NOFA ROUND 23-A
PERMANENT SPECIAL NEEDS HOUSING
REVISED TERM SHEET
October 6, 2017

On September 12, 2017, the Community Development Commission of the County of Los Angeles (Commission) and the Housing Authority of the County of Los Angeles (HACoLA) released Notice of Funding Availability (NOFA) Round 23-A, which provides capital funding, Section 8 Project-Based Vouchers (PBV), and Project-Based Veterans Affairs Supportive Housing (PBVASH) Vouchers for the creation of permanent rental housing units serving Special Needs populations within both Special Needs and Mixed-Population projects. Funding and rental assistance was made available in the anticipated amounts below.

The Commission will issue funding commitments to successful applicants in time to meet the California Tax Credit Allocation Committee's (TCAC) 2018 first round competitive tax credit application deadline. The Commission will release NOFA 23-B in early 2018, which will provide funding commitments in time to meet TCAC's 2018 second round competitive tax credit application deadline.

This Revised Term Sheet includes additional capital funds, with amounts, terms, and requirements identified in **red bold type**. For full information, please see NOFA 23-A.

Available Funds and Rental Assistance

Capital Funds

- \$39.6 million (\$9.2 million in Measure H funds are included in this total and must be used for homeless units).
- **Approximately \$25 million in Mental Health Housing Funds (MHHF) funds for units restricted to clients that are Homeless or at Risk of Homelessness and who have a mental illness in accordance with California Welfare & Institutions Code Section 5600.3(a) and/or California Welfare & Institutions Code Section 5600.3(b).**

Project-Based Vouchers

- A combined total of **300** PBVs and PBVASH Vouchers, allocated to meet demand.

Eligible Projects

Eligible projects must provide at least 25 units of permanent multifamily housing and set aside at least 20% of the total units, but no fewer than 15 units, for qualifying Special Needs populations. Project types include the following:

- Homeless Project: at least 49% of the total units set aside for Homeless households.
- Special Needs Project: at least 49% of the total units set aside for Special Needs households.
- Mixed-Population Project: at least 20% of the total units set aside for Special Needs households, but no fewer than 15 units.

Target Population and Affordability

Eligible projects must target the following Special Needs populations:

- Mentally Ill
- HIV / AIDS
- Developmentally Disabled
- Transition Age Youth
- Frequent Users of County of Los Angeles Health and/or Mental Health Services
- Homeless Households
- Chronically Homeless
- Homeless Veterans

Special Needs units must be restricted to households earning at or below 30% of Area Median Income (AMI). Income targeting may be as high as 35% AMI with reasonable justification provided by the Applicant and approved by the Commission.

Project Requirements

- Must be New Construction or Acquisition with Rehabilitation. A Rehabilitation project must:
 - Submit at the time of NOFA application a Capital Needs Assessment in accordance with TCAC regulations at Section 10322(h)(26)(B).
 - Complete, at a minimum, the higher of \$40,000 in hard construction costs per unit or 20% of the adjusted basis of the building pursuant to Internal Revenue Code Section 42(e)(3)(A)(ii)(I).
 - Improve energy efficiency by at least 20%, based on the HERS-verified existing condition.
 - Provide new affordable units to housing stock (no projects with existing affordability covenants, unless those covenants are expiring within five (5) years of the NOFA application due date).
 - Not displace low-income households, unless the project provides for a two-for-one unit replacement.
- For projects developed on land owned by or formerly-owned by the County of Los Angeles, at least 49% of the total units (excluding any manager's unit) must be reserved for a Special Needs population.
- For projects located in the City of Los Angeles, least 49% of the total units (excluding any manager's unit) must be reserved for a Special Needs population.
- Affordable Housing Trust Fund projects must be eligible for and include proposed 4% or 9% Low-Income Housing Tax Credit financing. **Projects that include MHHF funds must apply for tax credits by no later than December 31, 2018.**
- Must be located in their entirety within Los Angeles County.
- Must not have commenced construction.
- Must adhere to the Commission's local hire provisions.
- If any portion of a proposed development site is within 500 feet of a freeway, the project

must be designed in such a way as to exclude from this 500-foot freeway “buffer” area any portion of the residential building, as well as play areas, community rooms, gardens, patios, and other areas where residents may reasonably be expected to congregate. An example of a suitable use within the 500-foot freeway buffer is a parking lot. The Commission shall review and approve, at its sole discretion, any site plans for developments of this type.

Funding and Geographic Restrictions

The Commission may provide separate funds for eligible projects based on the target populations and/or geographic area. The Commission reserves the right to shift funding at its discretion. **Projects may apply for Affordable Housing Trust Funds and MHHF funds, but both funding sources cannot be used to subsidize the same unit. MHHF funds may not subsidize units that have a commitment of Mental Health Service Act (MHSA) funds. Projects with a current allocation of DMH MHSA funds must be willing to relinquish those funds upon notification of an award of CDC MHHF.**

Projects outside of the City of Los Angeles may apply for the maximum subsidy per project in both funding categories (project maximum \$14 million total). Projects in the City of Los Angeles can apply for either the Affordable Housing Trust Fund maximum of \$1.5 million or the MHHF maximum of \$3 million.

Projects that received a prior NOFA award (capital funds and PBV/PBVASH Vouchers) may reapply under the current NOFA without relinquishing the past award, provided the project has not already received an award of tax credits. Previous allocations of HOME Investment Partnerships Program (HOME) funds will not be counted towards the maximum subsidy per project.

AVAILABLE CAPITAL FUNDS					
Type of Funds	Target Population	Geographic Restriction	Project Type	Maximum Subsidy Per Unit	Maximum Subsidy Per Project
Affordable Housing Trust Funds	Special Needs	LA County	9% or 4% tax credit financing	\$140,000 per Special Needs unit	\$7,000,000 in areas outside of the City of Los Angeles \$1,500,000 for <u>Special Needs</u> projects in the City of Los Angeles
MHHF	Homeless Mentally Ill	LA County	4% tax credit financing	\$250,000 per unit	\$7,000,000 in areas outside of the City of Los Angeles, \$3,000,000 in the City of Los Angeles

AVAILABLE PROJECT-BASED VOUCHERS				
Type of Funds	Target Population	Geographic Restriction	Maximum Subsidy Per Unit	Maximum Subsidy Per Project
Project-Based Vouchers	Special Needs	Unincorporated LA County or Participating Jurisdiction	As specified by HACoLA Section 8 payment standards	Minimum 15 vouchers per project
PBVASH Vouchers	Homeless veterans & their families	Unincorporated LA County or Participating Jurisdiction	As specified by HACoLA Section 8 payment standards	Minimum 15 vouchers per project

Eligible Applicants

Eligible Applicants include nonprofit and for-profit organizations, limited liability companies, limited partnerships, public agencies, other local jurisdictions, and joint ventures among any of these entities.

Application Process

Developers may submit a maximum of one application for a project in which they are the Lead Developer in the City of Los Angeles. A Lead Developer is a developer that possesses 51% or more of the development responsibilities and share of developer fee. Developers also may participate in applications for projects in which they are joint developers with 49% or less of the development responsibilities and share of developer fee. There is no restriction on the number of projects per Developer outside of the City of Los Angeles.

Key Threshold Requirements

Applications will be reviewed in two stages: 1) threshold review and 2) technical scoring. The following are key minimum threshold requirements that Applicants and projects must meet to be considered for technical scoring:

- Lead Developer: Must have completed a minimum of three (3) affordable rental housing projects.
- Lead Services Provider: Must have a minimum of 12 months of experience in providing services to the target Special Needs population in at least one (1) housing-setting project. If the Lead Services Provider does not have experience serving the proposed target Special Needs population, the Lead Services Provider must justify how its prior experience serving other Special Needs populations in a housing setting is transferrable to the target population.
- Property Manager: Must have experience in managing at least two (2) projects with similar tenant populations and of similar scale as the proposed project. The property manager may be the applicant’s own personnel, or a third-party contractor.
- Supportive Services: The Supportive Services Plan must address adequate service provision to all target populations.

- Design: All projects must meet the Commission's Design Requirements. The architect must have completed at least two (2) affordable multifamily rental housing projects, or have completed one (1) Commission-funded affordable multifamily rental housing project of the type currently being proposed (new construction or rehabilitation).
- Compliance: Applicants must be in compliance with all regulatory agreements with the Commission and requirements of other governmental entities or permitting agencies, including any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, or conditions of approval. The Commission retains sole discretion to approve or reject Applicants based on past performance.

All applicable checklist items must be submitted in the Application in order for it to be considered for award of funds by the Commission.

Key Technical Scoring Categories

The following are the general categories that will be used to score applications.

- Committed Public Financing: Ratio of committed capital funds from public agencies to total development costs.
- Committed Operating Subsidy: Ratio of Special Needs units with committed operating subsidy to total Special Needs units.
- Applicant Team Experience:
 - In addition to meeting the minimum threshold experience, the Lead Developer will be scored based on additional number of Special Needs and affordable rental housing projects completed.
 - In addition to meeting the minimum threshold experience, the Lead Services provider will be scored based on additional years of experience serving the proposed target Special Needs population in a housing setting.
 - In addition to meeting the minimum threshold experience, the property management company will be scored based on experience managing Special Needs and affordable rental housing projects.
 - In addition to meeting the minimum threshold experience, the Architect of Record will be scored based on experience with affordable rental housing projects of the type proposed (new construction or rehabilitation).
- Supportive Services: Supportive services will be evaluated on a Pass/Fail basis.
 - A Pass rating will be awarded to Supportive Services Plans that appropriately complete all required elements and address the minimum service criteria for the target population(s) the project will serve, which will be defined in the NOFA. The Plan must include a detailed description of each minimum service and identify the provider. For Mixed Population projects providing services to both target population(s) and the general population, there must be clear distinction between the staffing resources and services allocated to each population.
 - Those projects that receive a Pass rating may also be issued a Final Conditions List detailing sections of the Supportive Services Plan that must be revised prior to release of any loan funds. It is anticipated that most projects receiving a Pass rating will be issued a Final Conditions List.

- Design:
 - Design will be evaluated on a Pass/Fail basis. Projects will be assigned a rating of Pass if they generally adhere to the Commission's Design Requirements.
 - Projects may receive additional points for electing to incorporate certain design and sustainability criteria bonus items.
 - A 4% tax credit project is required to comply with the same criteria as a 9% project.
- Geography: Points will be awarded, in descending amounts, for projects located in: 1) Unincorporated Areas of Los Angeles County and then 2) Areas outside of the City of Los Angeles.
- Homeless Project: Bonus points will be awarded to Homeless Projects, in which at least 49% of total units are set aside for Homeless Households, Chronically Homeless Households, or Homeless Veterans and their families.
- In addition to the NOFA application score, when evaluating a project for a funding award the Commission may also take into account the proposed project's TCAC tiebreaker score.

Key Underwriting Requirements

- Cash Flow: Must demonstrate positive cash flow for 15 years.
- Affordability: All units funded by the Commission must target households earning at or below 30% AML, except as noted above in Target Population and Affordability.
- Supportive Services: The full cost of project case managers and service coordinators may be included as a standard operating expense.
- Furnishings for Homeless Units: Applicant must include costs to furnish all Homeless units in the proposed development budget.

The Commission reserves the right in its sole discretion to modify any terms in this Term Sheet.