



THE CITY OF LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA)

POLICIES FOR EVALUATING THE RECAPITALIZATION OF CERTAIN AFFORDABLE HOUSING DEVELOPMENTS WITH PRE-EXISTING FINANCING FROM HCIDLA.

1. INTRODUCTION

This document outlines HCIDLA's policies ("HCIDLA Recapitalization Policy") guiding HCIDLA's review and evaluation of certain affordable housing developments with existing HCIDLA financing ("Existing Financing") that are proposed to be restructured pursuant to a new allocation of tax-exempt bonds and 4% low income housing tax credits *and* require certain discretionary approvals from HCIDLA with regard to the Existing Financing. For purposes of this policy, Existing Financing also includes financing originally provided by certain predecessor agencies now under the jurisdiction of HCIDLA (e.g., the Community Redevelopment Agency of the City of Los Angeles).

This HCIDLA Recapitalization Policy will allow HCIDLA to consistently evaluate proposed restructure requests for projects described herein that also require discretionary HCIDLA approvals for Existing Financing. The HCIDLA Recapitalization Policy is intended to enable developers of affordable housing and HCIDLA staff to determine amounts, if any, the City of Los Angeles (City) shall receive as repayment of the Existing Financing coincident with HCIDLA discretionary approvals. Amounts received shall be used by HCIDLA for further affordable housing purposes in the City.

This HCIDLA Recapitalization Policy shall be part of the Bond Program Policies and are incorporated therein by reference. Unless otherwise specifically noted, these policies shall not supersede or eliminate the applicability of any other relevant policy of the City or HCIDLA.

The General Manager of HCIDLA, Mayor and City Council may modify the HCIDLA Recapitalization Policy requirements if justified by the combined benefits to the City, the project, and the project sponsor. The General Manager of HCIDLA has the authority to amend and restate existing loans and to execute new loans in accordance with this policy.

2. APPLICABILITY:

HCIDLA recapitalization policy shall apply only to projects ("Projects"):

- a) With Existing Financing where the proposed refinance/restructure proposes to use the Low Income Housing Tax Credit program in combination with private activity tax-exempt bond financing, *and*
- b) where any portion of the Existing Financing (including all principal and accrued interest and fees) is not repaid, in full, on or before the effective date of the proposed

refinance/restructure and therefore requires certain discretionary approvals from HCIDLA with regard to the Existing Financing.

Further, this HCIDLA recapitalization policy shall specifically not apply to projects where all outstanding obligations to HCIDLA are repaid, in full, on or before the effective date of the propose refinance/restructure.

3. INTENT

The intent of the HCIDLA Recapitalization policy is to enable the preservation and rehabilitation of the City's affordable housing stock, and to ensure the prudent use of public funds to achieve those goals.

4. OBJECTIVES

HCIDLA anticipates the application of the HCIDLA recapitalization policy will result in the adequate capitalization and stabilization of existing affordable housing developments within the City of Los Angeles, and serve to strengthen the capacity of the City's affordable housing providers, to create, preserve and maintain affordable housing in the City of Los Angeles. The objectives of the HCIDLA Recapitalization policy are outlined below.

a) Rehabilitate the City's Affordable Housing Stock

The objective of the HCIDLA Recapitalization policy is to improve the condition of Affordable Housing projects by providing for the appropriate levels of rehabilitation and correction of deferred maintenance items.

b) Preserve the Supply of Existing Affordable Housing

The objective of the HCIDLA Recapitalization policy is to preserve affordable housing through the extension of the time period of affordability covenants.

c) Improve the Financial & Managerial Performance of Projects

The objective of the HCIDLA recapitalization policy is to reduce ongoing operating costs associated with deferred maintenance of projects and when appropriate, to address the problems created by ineffective management

d) Enhance Long-term Energy and Resource Sustainability profile of the Projects

The objective of the HCIDLA recapitalization policy is to reduce energy and water consumption in affordable housing projects when possible. Toward this goal, projects should strive to achieve a 20% improvement in energy efficiency.

e) To improve disabled access to affordable housing

The objective of the HCIDLA recapitalization policy is to improve disabled access to affordable housing when possible.

5. PRUDENT LENDING PRACTICES

HCIDLA is responsible for following Prudent Lending Practices, which are defined as generally accepted underwriting and lending practices for public loan programs, based on sound judgment to protect Federal and lender interests. Prudent Lending Practices provide for compliance with local laws and maintenance of a security interest in loan collateral. Toward this end, after achieving the public objectives, HCIDLA shall seek repayment of outstanding public debt when feasible, including outstanding principal and accrued interest, or a portion thereof. Any loan repayments will be recirculated into the Affordable Housing Trust Fund to be reinvested in new affordable housing units.

6. BACKGROUND

HCIDLA provides supplemental financing to certain multifamily rental developments that contain units where occupancy is restricted to households with income equal to or less than a specific income level (for instance, 60% of the Area Median Income), and the rent payable by the families occupying the restricted unit is similarly restricted (for instance, to 30% of 60% of Area Median Income). The net income generated by the restricted units can support only a limited amount of conventional "first mortgage" financing, which supports only a limited portion of the costs of constructing or rehabilitating the development. Funding sources specifically created to assist in financing "affordable" developments supplement (or, in some cases, supplant) conventional first mortgage financing. These include public sources that maybe loaned or granted to qualifying developments through federal (e.g., HOME funds from the department of Housing and Urban Development), state (e.g., Multifamily Housing Program Funds from the California department of Housing and Community Development), local (e.g., Affordable Housing Trust Fund (AHTF) from the City of Los Angeles Housing and Community Investment Department) agencies. These funds are typically of limited availability and are therefore allocated to projects on the basis of highest public benefit and highest leverage.

HCIDLA (and other public lenders) generally provide this supplemental financing in the form of a subordinate loan (i.e., subordinate in rights and remedies to senior, first mortgage financing provided by private institutions (including first mortgage financing funded with the proceeds of tax-exempt bonds). The subordinate loan is secured by a deed of trust subordinate to the first mortgage lender's deed of trust, and is generally payable only to the extent of cash available (also known as "residual receipts") after payment of all other project expenses and first mortgage debt service. In addition to the loan and other related real estate documents, the project must adhere to certain regulatory restrictions (e.g., number units subject to specific affordability restrictions, etc.). These regulatory restrictions are generally documented in a Regulatory Agreement recorded with the other loan documents.

These HCIDLA loans provide certain rights in connection with certain changes in the project – including transfer of project ownership, or sale or refinancing of the project. HCIDLA's rights would typically include the right of full repayment upon refinance, or the right to approve aspects

of a refinance or restructure if all or a portion of HCIDLA's were to remain outstanding after the refinance or restructure.

In addition to first mortgages and federal, state and local loan and grant funds, many affordable housing developments use the Low Income Housing Tax Credit program as an additional component of financing development costs. In general, investors contribute equity—which helps to pay development costs – in exchange for the ability to use the Low Income Housing Tax Credits. The investors then become a part of the ownership – usually as a limited partner in the partnership that owns the affordable housing development.

The Tax Reform Act of 1986 created what we know today as the Low Income Housing Tax Credit (LIHTC) program. Governed under the IRS Code's Section 42 and administered by state issuing agencies through their Qualified Allocation Plans (QAP) and adopted regulations, LIHTC projects are awarded ten years of federal tax credits. In exchange, LIHTC projects must be kept affordable for a minimum period of 15 years (the Tax Credit Compliance Period), but often the state issuing agencies and complementary local agencies apply much longer affordability restrictions than are required under the IRS regulations. Currently, in California, developers typically are required to accept a 55-year affordability restriction to be eligible for tax credit and private activity bond financing.

Tax Credit Compliance Period

While the tax credits flow for 10 years, the IRS requires a 15-year compliance period to enable the recapture of some or all of the tax credit value in the event a project is found to be non-compliant. Therefore, in order to safeguard their investment, Tax Credit Investors often remain a part of the limited partnership after their tax credits expire, until the completion of the 15 year Tax Credit compliance period. Typically, limited partners exit the investment after year 15 by selling their interests in the property to the general partner (GP) (or its affiliate or subsidiary) and the GP continues to own and operate the property.

Extended Use Agreements

Beginning in 1990 federal law required tax credit projects to remain affordable for the 15-year initial compliance period plus a subsequent 15-year extended-use period. In California, most projects that received a Tax Credit Allocation after 1990 are subject to affordability restrictions of 30 to 40 years past the initial 15 year period. These extended use agreements may be imposed by the California Tax Credit Allocation Committee (TCAC) as well as by the local agency, such as HCIDLA, that provided a part of the financing for the development of the original project. As a result, many projects that have completed their 15 year Tax Credit Compliance Period are eligible for re-capitalization using a new tax credit syndication, but are unlikely to be at risk of losing affordability.

New Tax Credits

When the 15-year Federal Tax Credit Compliance Period ends, the project is eligible for new acquisition as well as rehabilitation tax credits if syndicated with tax exempt private activity bonds. However, affordability restrictions are usually not at risk of being lost. HCIDLA's key policy

objective is to determine that the equity raised from the new allocation of LIHTC, in combination with the other newly available sources, are sufficient to improve and maintain the physical asset. This document contains Administrative Policies to provide procedural direction to HCIDLA staff and Underwriting Policies to guide the public in their requests for HCIDLA cooperation and support.

7. UNDERWRITING REQUIREMENTS

a) Eligible Sponsor

To provide adequate time for project financing to be evaluated prior to the California Debt Limit Allocation Committee (CDLAC) application deadline, a term sheet showing the Limited Partner exit plan must be submitted to HCIDLA at least 60 days before the CDLAC application deadline.

b) Extension of Affordability

The term of the Project's longest existing affordability covenant shall be extended at least an additional 15 years, subject to tax limitations and other relevant underwriting criteria, and subject to the "true- debt" test.

c) Project Useful Life

The proposed transaction must result in the extension of the useful life of the Project by at least 15 years. Items included in the scope of rehabilitation must be of a nature that targets capital improvement items whose useful life is coming to an end. The level of proposed rehabilitation must be appropriate to the current conditions of the project and correct all major physical deficiencies.

d) Management Deficiencies

HCIDLA desires to ensure affordable housing projects will remain financially viable and well maintained. All projects requesting recapitalization will need to be in compliance with the HCIDLA's occupancy monitoring, portfolio management, code and compliance policies. All entities involved in the new proposed project shall adhere to the City's business policies.

Properties in financial, managerial, or physical distress will be carefully evaluated before refinancing is considered. HCIDLA may require a neutral third party to conduct a comprehensive physical, financial, and managerial assessment of the property to ascertain the reason the property is not performing. HCIDLA will use this report as a basis for making financial decisions in accordance with existing loan and regulatory agreements.

e) Financial Benefits

HCIDLA expects that the Projects, as a result of the refinancing/restructuring, will have improved long-term financial and operational capacity.

f) Energy Efficiency

In an effort to reduce long term operational costs and contribute positively to the environment, Projects are encouraged to improve the energy efficiency 20% above the modeled energy consumption of the current building(s) based on existing conditions. Modeling for improvements and baseline will follow TCAC regulations. Where possible, projects should leverage local utility rebates, state incentives and financing. Projects will be encouraged to track energy and water usage through approved benchmarking software, and to incorporate a tenant data release form in their leases so that the building's utility usage can be tracked. Project management staff should be trained on operation and maintenance of energy and water efficiency, energy management planning, tenant education and engagement on reduced energy and water use. HCIDLA will provide information about how to access information on energy efficiency programs and opportunities supported by the City.

g) Use of Sales Proceeds

Proceeds from the sale upon acceptable project financial structuring shall be used first to pay the balance on the first deed of trust. Any remaining cash proceeds may be used to pay down public debt, including all/or a portion of HCIDLA loan principal and accrued interest balance. If the Project has more than one public loan, HCIDLA will refer to the original loan agreement as the guiding document for priority of payoffs. Payoffs will follow the lien position in the loan agreement. HCIDLA will prioritize the use of proceeds based on the waterfall shown below:

Use of Sales Proceeds - Waterfall

1. 1st Trust Deed
2. Capital Rehabilitation Plan
 - a. Property Physical upgrades based on Physical Needs Assessment
 - b. ADA Retrofits (Required)
 - c. Energy Efficiency Retrofits (Recommended where feasible)
3. Capitalized Reserves as required by lender(s)
 - a. Replacement Reserve
 - b. Transition Reserve
 - c. NOTE: Existing reserves must transfer with the property
4. Unpaid Developer Fee (Deferred Developer fee from prior years)
5. Unpaid Asset Management Fees
6. Unpaid Property Management Fees
7. Exit Taxes
8. GP or Sponsor loans if previously approved by HCIDLA Asset Management
9. Public Debt
10. Miscellaneous Expenses, GP or Sponsor Loans not previously approved by HCIDLA

In the absence of documentation in the loan agreement, HCIDLA may accept a pro-rated amount of the net proceeds. Said prorated amount shall be the same as that amount included in the HCIDLA documents regarding the proration of cash flow for residual receipts when other public lenders are part of the project's financing. The current owner is expected to negotiate this payoff arrangement with the other subordinate public lenders.

h) Purchase Price

Transactions will be asked to maximize the Purchase Price from the sale of the Project to a new ownership partnership. HCIDLA expects the developer to work with their tax professional to prevent, or at worse minimize, write-offs of HCIDLA/CRA debt. Subject to prudent appraising practices, reasonable assumptions shall be made for Project Based Section 8.

i) Appraisal

HCIDLA will require submittal of an "as is" appraisal prepared not more than 120 days before or after the date of the purchase agreement or transfer of ownership. The appraisal must be prepared by a California State Certified General Appraiser having no identity of interest with the development's partner(s) or intended partner or general contractor. In addition, the appraisal may not determine property value based solely on sales comparables of properties financed by public agencies. If a residential income approach is not utilized, applicant may submit either a separated market study completed within the last 6 months. Additionally, if the subject site is being sold by an entity related to the newly proposed ownership entity, any mark-up on the land costs must be clearly stated and will be subject to HCIDLA approval. HCIDLA will follow TCAC regulations for the timing of required appraisals and appraisal updates.

j) Exit Taxes

Exit taxes will be considered an allowable expense of the recapitalization transaction payable from sales proceeds. Exit terms sheets including exit tax costs are required to be provided to HCIDLA 60 days prior to the CDLAC application.

k) Net Operating Income During Construction

Re-capitalization transactions involve tenant-occupied properties. HCIDLA will require that 75% of Net Operating Income (NOI) be included as a capital source. An analysis of how the amount included in the capital sources was derived must be submitted to HCIDLA.

l) Developer Fees

Developer fees shall be paid consistent with the City of Los Angeles' and California Tax Credit Allocation Committee's Regulations, Policies and Procedures.

m) Reserves

Consistent with existing HCIDLA loan documents, the current owner is responsible for accumulating Replacement, Operating and/or Transition Reserves ("Reserves") and collecting

Security Deposits. Any proposed reserves are to be disbursed upon approval of the lenders, including HCIDLA. Any proposed reserves shall be consistent with other lenders guidelines. Security Deposits are released to the tenants upon their exit of the property. However, both the Reserves and Security Deposits accounts will have balances at the time of sale. Those balances, in their entirety, will transfer over to the new owner. Neither the Security Deposits, nor the Reserves, can be used as a capital source to purchase the property. HCIDLA will require language in the Purchase and Sale Agreement that clearly specifies that all Reserve balances and Security Deposits will transfer over to the new ownership.

i. Contribution To Operating Reserves

For Operating Reserves, HCIDLA will allow the minimum Operating Reserve required by CDLAC, TCAC, senior lenders, the tax credit investor, or other public lenders to be the maximum allowed by HCIDLA. Any funds left over from the "Reserves" transferred to the new ownership, after depositing the Replacement and Operating amounts as set forth herein, shall be used for project related costs.

ii. Contribution To Replacement Reserves

Replacement Reserves will be funded, prior to distributions, at the rate consistent with CDLAC, TCAC, other lenders, the tax credit investor, public agencies and the physical needs assessment.

n) Scope Of Rehabilitation

HCIDLA will require a property needs assessment or an engineering inspection report completed within the past twelve months by a qualified engineer or building inspector, to identify the remaining life of all major systems including, but not limited to, plumbing, electrical, HVAC, foundations and roof. Such reports shall include an accessibility report from a Certified Access Specialist (a "CASP" report), and an energy audit meeting the requirements of TCAC or other standard that may be specified by HCIDLA. The scope of rehabilitation will enable preservation of the asset for 15 years and as such may not include all of the elements that have been identified as deficient. Thus the scope of rehabilitation, will address All "Immediate Needs" as identified in the PNA;

- i. All required accessibility elements as identified in the CASP report
- ii. Certified compliance to Federal, State and local accessibility requirements;
- iii. All items necessary to meet the minimum construction requirements (including energy efficiency) of TCAC and CDLAC or other standards or requirements as may be required by HCIDLA to enable a 15 year life span of the facility

o) Project Costs

HCIDLA will require a completed *proforma* in HCIDLA format at application. HCIDLA staff will review and analyze all costs, included but not limited to, property liability insurance. Said

insurance usually includes some allowance for improvements. HCIDLA will analyze all costs to ensure that the proposed budget is not excessive.

p) Operating Expenses

Projects should generally use the underwriting guidelines referenced in the Affordable Housing Trust Fund regulations. Operating expenses shall mean actual, approved, reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project.

q) Supportive Services

A Supportive Services allowance will be allowed at the time of recapitalization based on the current HCIDLA authority as reflected in the Affordable Housing Trust Fund Program. If the provisions of the existing loan have more favorable Supportive Services Policy than current HCIDLA Supportive Services policy, the older loan terms may be carried into the new loan, however the current HCIDLA reporting requirement for Social Services must be implemented in all new loans.

r) Contractor Requirements

iv. LCP Tracker

The selected contractor for the rehabilitation will be required to use LCP Tracker, or any other applicable software, to report payroll and affirmative action activity.

v. GMAX Contract

The selected contractor for the rehabilitation will be required to use a GMAX contract. HCIDLA will use the TCAC standard to calculate maximum in overhead, general conditions and profit.

vi. Construction Audit

The owner will be required to include an audit of the construction contract as part of the Cost Certification. In addition to customary auditing protocols, the auditor must opine on the percentage of overhead, general conditions and profit collected by the general contractor, and any affiliated subcontractors and suppliers.

8. ADMINISTRATION

a) Fees

The City will incur costs to process these Projects. Staff time will be incurred by HCIDLA, CAO, City Council and City Attorney, and other departments. Within HCIDLA alone, financial, construction, portfolio management, compliance and accounting, systems, reporting, and executive management staff time will be incurred. Therefore, in order to process these transactions HCIDLA will charge a Construction & Financing Origination Fee of \$30,000 will be charged for the re-capitalization transaction that involves re-structuring public funds. This

fee presumes a Bond/4% tax credit transaction and it is in addition to any other Bond Program transaction fee. Said fee is due to HCIDLA based on the following schedule:

CONSTRUCTION & FINANCING ORIGINATION FEE SCHEDULE

- a. 10% (i.e., \$3,000) due at the time of application.
- b. 35% (i.e., \$10,500) Loan Underwriting fee due at the time of escrow closing.
- c. 55% (i.e., \$16,500) Loan Document processing due at the time of escrow closing.

b) Roles And Responsibilities

These transactions will be complicated and require multi-unit coordination (Administration, Bond, Occupancy and Portfolio Management).

9. EXISTING HCIDLA FINANCING

a) Financing In Effect

Nothing contained herein shall supersede the existing loan agreement for the Existing Financing. Existing Financing loan and program documents applicable to a project must have been executed, recorded and in all manner in full effect in order for a request for a proposed refinance/restructure to be considered and processed by HCIDLA pursuant to these policies.

b) Re-Casting HCIDLA's Loan Balances

HCIDLA understands that a re-capitalization transaction may require that HCIDLA, and the other public lenders, "re-cast" or re-lend to the purchasing entity a portion of its principal balance and/or accrued interest based on the purchase price established above. HCIDLA will base consideration for re-casting a portion of its principal balance and/or accrued interest on the economics of the transaction and the achievement of public benefits and project objectives mentioned above. It should be noted, HCIDLA cannot re-allocate or earmark repayment funds to a specific future project. Any payments or partial pay downs of public funds result in funds returned to the City's Affordable Housing Trust Fund, which must then be awarded to new projects according to the AHTF guidelines.

c) Form Of HCIDLA Loans

HCIDLA and the City Attorney's Office will work with the new Borrower's business and tax counsel to adopt a loan document form that best meets the needs of the transaction and the City. Moreover, where ever possible, HCIDLA will take the opportunity to combine all City loans (e.g. CRA, HOME, CDBG, Section 108, etc.) into one loan document.

d) Revisions Of HCIDLA's Business Terms:

HCIDLA reserves the right to negotiate changes to the business terms in conjunction with the project sponsor during the financing process. Revision of business terms may include, but are not limited to, revising the annual payment structure, the interest rate, etc. HCIDLA recognizes that such revisions to the business terms may be necessary to satisfy the 50 percent and/or the 95/5 tests.

e) Revisions To HCIDLA's Regulatory Terms

Any re-capitalization presents HCIDLA with the opportunity to revise and update its regulatory terms. Revision of regulatory terms may include, but are not limited to, bifurcating the covenants between HOME covenants and all-other HCIDLA covenants, reducing the HOME compliance period to the HOME required minimums.

f) Revisions To CRA Loans

As the Housing Successor Agency to CRA, HCIDLA will service and administer CRA loans in the same manner as HOME and CDBG loans during a re-capitalization transaction.

g) Write-Off of HCIDLA Loan Balances:

HCIDLA recognizes that restructuring the public participation in a project may be required to achieve the public benefits for the City and the Project described in Section 4(a) and 4(b) of this policy. To this end, HCIDLA can write off a portion of the accrued interest on the City's loan if this approach achieves a clear and quantifiable public purpose, which may include assisting the developer to meet the 50 percent and/or 95/5 tests, and only if the underlying economics support this approach. HCIDLA will not consider a transaction that inappropriately shifts financial losses to the City, and financial gains to other parties in the transaction.

HCIDLA expects the developer to work with their tax counsel to prevent, or at worse minimize any proposed write-off of HCIDLA loan interest. However, while HCIDLA will consider restructuring and/or relending (e.g., receiving a loan repayment that is subsequently re-loaned to the borrower) to the purchasing entity all, or a portion of, the original loan balance, including accrued interest, to support the purchase side of the transaction.

h) Sharing Residual Receipts With Other Public Lenders

Fifty percent of residual receipts shall be used to pay all public lenders, including HCIDLA, in proportion to their principal participation. The remaining 50% of residual receipts shall be paid to the project sponsor. The Buyer/Borrower is expected to negotiate this detail with the other public lenders. Finally, for purposes of residual receipts payments, any payments due on a Federal Home Loan Bank Affordable AHP loan, in junior position to the 1st deed of trust will not be eligible for residual receipts payments. LAHD expects that the Buyer/Borrower will secure approval of the FHLB of this business term.

i) Subordination

HCIDLA may, at its sole discretion, subordinate security position and affordability covenants to a new conventional lender and/ or public agency lender. Subordination guidelines will be consistent with established practices under the AHTF regulations. If other public lenders outline specific subordination requirements, HCID will cooperate with the other public lenders.

10. RELATED PROGRAM REQUIREMENTS

a) HOME Program Requirements

Projects for which HOME requirements apply which have not met the original minimum HUD HOME Regulatory term, must meet and apply all HOME requirements, such as but not limited to, Relocation, Affirmative Marketing, Labor, Lead-Based Paint, Conflict of Interest, ADA, Fair Housing as applicable.

b) Uniform Relocation Act (URA)

If applicable, based on federal funding, these transactions are to be handled as acquisitions then URA requires issuance of a voluntary acquisition letter and documentation of proof of receipt. HCIDLA will collect the appraisal to confirm the "fair market value" presented in the voluntary acquisition letter is based upon a third-party analysis. In addition, HCIDLA will collect the purchase agreement to confirm that the amount paid for the property correlates to the amount in the voluntary acquisition letter.

c) RSO Consistency

The new owner will be required to abide by any applicable Rent Stabilization Ordinance (RSO) requirements.

d) Accessibility Requirements for Multifamily Housing:

The new owner will be responsible for meeting the accessibility requirements of the Fair Housing Act, Americans with Disabilities Act of 1990 (ADA), specifically Title II of the ADA, the Uniform Federal Accessibility Standards (UFAS), and, Section 504 of the Rehabilitation Act of 1988, whichever is applicable. Projects shall submit a completed HCIDLA Accessibility Design Review (ADR) Form at the time of application. An accessibility certification from a Certified Access Specialist ("CASP") will be required at the end of construction. The ADR Form will identify the CASP chosen to complete the final certification.

11. CONFLICTS

Some of the business and legal requests and proposed changes may be in conflict with current HCIDLA Portfolio Management policies. HCIDLA staff will identify those conflicts, and if it determines that the proposed transaction with its business and legal changes is a compellingly better transaction than the existing transaction, it will request authority to bypass established Portfolio Management policy. At some point in the future, once a few projects have been processed, HCIDLA may elect to submit these changes for the establishment of programmatic approval, along with program-specific underwriting policies.