Tiena Johnson Hall, General Manager
Luz C. Santiago, Acting Executive Officer

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City of Los Angeles

Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
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March 12, 2026

Council File: 17-0274
Council Districts: Citywide
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Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR APPROVAL OF THE RECOMMENDATIONS CONSIDERED AT THE AFFORDABLE HOUSING LINKAGE FEE OVERSIGHT COMMITTEE

SUMMARY

In 2017, the City Council adopted Ordinance 185341 to create the Housing Impact Trust Fund (Fund) for the receipt and use of the City's Affordable Housing Linkage Fee (AHLF) monies. The ordinance requires that the Los Angeles Housing Department (LAHD) present an annual report on the receipts and uses of the AHLF. It also requires that LAHD establish an oversight committee for the Fund, which shall provide opportunity for public input in the development of the annual report.

On December 18, 2025, the AHLF Oversight Committee (OC) heard LAHD's report to discuss the AHLF fund balances, amendments to the AHLF tiered funding structure based on the changing affordable housing ecosystem and the highest and best use analysis discussed at the previous AHLF OC meeting, the proposed AHLF expenditure plan for FY 2023-24 & FY 2024-25, and administrative recommendations. The OC held two (2) public hearings on December 18, 2025, and approved the December 18, 2025 report's Recommendations and Controller Instructions, as amended below.

RECOMMENDATIONS

I. That the City Council, subject to the approval of the Mayor:

A. INSTRUCT the Los Angeles Housing Department to amend the tiered funding structure and transition to a single program expenditure account as follows:

i. INSTRUCT the Los Angeles Housing Department to combine Rental - Preservation and Rental - New Construction categories;

ii. INSTRUCT the Los Angeles Housing Department to remove the Innovative Housing Demo and Innovative Housing Demo ADU categories from the Affordable Housing Linkage Fee Funding Tier Structure and reallocate existing and future funds to the newly combined Rental - Preservation and Rental - New Construction category; and

iii. INSTRUCT the Los Angeles Housing Department to remove the Low Income Housing Purchase Assistance Program (LIPA) and Moderate Income Purchase Assistance (MIPA) categories and reallocate existing and future funds to the newly combined Rental - Preservation and Rental - New Construction category.

B. INSTRUCT the Los Angeles Housing Department to amend the Linkage Fee Guidelines to align with the amended tiered funding structure;

C. PERMIT the Los Angeles Housing Department to temporarily waive the existing Linkage Fee guidelines in order to allocate funds to the Project Homekey Projects described in Recommendation H prior to finalizing the new Linkage Fee Guidelines;

D. INSTRUCT the Los Angeles Housing Department to adopt the FY 2023-24 and FY 2024-25 Expenditure Plan in Attachment A of the report as amended;

E. INSTRUCT the Los Angeles Department of City Planning, in coordination with the Los Angeles Housing Department, to issue a Request for Proposals or a Task Order Solicitation not to exceed $450,000 in order to obtain a consultant for the completion of a new nexus study;

F. AUTHORIZE the Controller to transfer up to $450,000 from the City of Los Angeles Housing Impact Trust Fund No. 59T, Account 43T904 - Administrative Reserve to the Los Angeles Department City Planning's Account 003040, Fund 68/100 for the amount to be awarded to the consultant from the Request for Proposals or Task Order Solicitation for the completion of a new nexus study;

G. AUTHORIZE the Controller to establish new accounts and increase or decrease appropriations for the following accounts within the City of Los Angeles Housing Impact Trust Fund No. 59T; and

Account	Account Name	Amount
43YC47	Innovative Housing Demo - Other	$ (452,956.79)
43WC47	Innovative Housing Demo - Other	$ (830,264.49)
43R727	Innovative Housing Demo - Accessory Dwelling Unit	$ (500,000.00)
43CD74	Rental New Construction & Preservation Reprogrammed Prior to FY23	$1,783,221.28
43C904	Administrative Reserve	$1,577,483.36*
43CD72	Rental New Construction & Preservation FY23-24	$34,896,521.00**
43CD73	Rental New Construction & Preservation FY24-25	$31,416,898.00

*$3,966,675 in administrative costs was already allocated to multiple accounts for staff and administrative costs through the FY 2026 budget process. When that amount is added to the $1,577,483.36 Administrative Reserve shown in the table above, the total is $5,544,158.36, which represents the 15% administrative allocation for FY 2024-25 receipts.
**As reflected in the Background section below, the full amount of revenue collected from FY23-24 will be allocated to the project/initiative categories due to prior years' savings used to address Admin needs in FY 24-25.

H. AUTHORIZE the Controller to obligate and disburse funding from the City of Los Angeles Housing Impact Trust Fund No. 59T for the following projects:

Account Number	Account Name	Project Name	Amount
43CD74	Rental New Construction & Preservation Reprogrammed Prior to FY23	Alvarado & Temple	$1,783,221.28
43CD72	Rental New Construction & Preservation FY23-24	Alvarado & Temple	$216,778.72
43CD72	Rental New Construction & Preservation FY23-24	Sepulveda Heights (6531 S. Sepulveda Blvd.)	$3,000,000
43CD72	Rental New Construction & Preservation FY23-24	McLaughlin (3705 McLaughlin Ave.)	$6,188,150
43CD72	Rental New Construction & Preservation FY23-24	4818 Sepulveda Blvd.	$8,084,200
		TOTAL	**$19,272,350**

I. AUTHORIZE the General Manager of LAHD, or designee, to draft, negotiate, and execute loan documents (or amendments to existing loan documents) with the parties, funding sources, and funding amounts as detailed in the recommendation H chart immediately above, subject to City Attorney approval as to form.

J. AUTHORIZE the General Manager of LAHD, or designee, to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and instruct the Controller to implement the instructions.

BACKGROUND

SUMMARY OF AHLF OC AMENDMENTS AND REQUESTS TO THE DECEMBER 18, 2025 REPORT DISCUSSED AT THE DECEMBER 18, 2025 MEETING:

1. The OC recommended to amend Attachment A and to remove the amount collected during FY 2025-26 since revenue from FY 2025-26 was not included in the meeting agenda. The requested amended attachment is below:

AMENDED Linkage Fee Expenditure Plan FY 2023-24 and FY 2024-25	
Total Collected in FY 2023-24	**$34,896,521**
Total Collected in FY 2024-25	**$36,961,056**
Total Collected in FYs 2023-24 and 2024-25	**$71,857,577**
Administration	**$5,544,158**
Total Available for Programs	**$66,313,419**

Project / Initiative	**Recommended Amount**	**Total(s)**
Asset Management		
Operating Support	$16,651,834	
Deferred Maintenance Program	$32,172,456	**$48,824,290**
Housing Strategies		
Project Homekey Gap Financing	$5,000,000	
Project Homekey New Financing	$14,272,350	**$19,272,350**
	TOTAL:	**$68,096,640*** **

***$1,783,221.28 reprogrammed from Innovative Housing Demo - Total available for projects is $68,096,640.

2. The OC requested that LAHD report to Council with further information about program details, including timeline for commitments and project commitment type within the new Operating Support program.

3. The OC requested that LAHD provide program criteria, timeline, and process for the newly adopted Deferred Maintenance Program within the Asset Management Division.

SUPPORTING INFORMATION TO THE DECEMBER 18, 2025 REPORT:

Linkage Fee Guideline Updates

On May 11, 2021, LAHD released an interdepartmental memo, which included the most up to date Linkage Fee expenditure guidelines. These guidelines included expenditure guardrails for programs, which this report recommends should no longer receive Linkage Fee funding including: the Middle Income Purchase Assistance Program (MIPA), the Low Income Purchase Assistance Program, the ADU Demo Program, and the Innovative Housing Demo Program. The previous Linkage Fee guidelines also describe the expenditure requirements for rental new construction and preservation as a function of the Affordable Housing Managed Pipeline (AHMP). As of 2025, the AHMP no longer exists and the funding that previously supported that pipeline, including but not limited to Linkage Fee, will funnel into a combined source of funds known as “Pooled Sources” as referenced in the latest Homes For LA NOFA. Because the AHMP program has been restructured, and because the Linkage

Fee will no longer support other programs described in the previous guidelines, the Department needs to update the guidelines.

The Department will produce new guidelines as a follow up to this report to align with the proposed expenditure plan. These new guidelines will describe the exclusive use of Linkage Fee funds for the preservation and new construction of affordable rental housing.

Linkage Fee Guidelines & PHK Projects

This report seeks to provide both gap financing and new funding for various Project Homekey (PHK) projects in advance of the approval of the new Linkage Fee guidelines. The need for PHK funding is immediate because of various cost overruns as detailed in the project descriptions below. Because the current Linkage Fee guidelines describe a narrow use of funds for new construction that only allows expenditure of Linkage Fee dollars within the Affordable Housing Managed Pipeline (AHMP), now a defunct program, the Department seeks authority to waive the guidelines for these requested expenditures. It should be noted, however, that both (former) AHMP projects and PHK projects provide affordable and supportive housing to qualifying households.

In addition, the two PHK projects requesting gap financing were previously awarded funds via a competitive procurement process, similar to the defunct AHMP program. On September 20, 2022, City Council and Mayor approved the results of the Request for Proposals to select owners/ operators for the Homekey Round 2 sites under C.F. No. 21-0112-S1.

Gap Funding for Sepulveda Heights

6531 Sepulveda (aka Sepulveda Heights) contains 118 affordable units and is located at 6531 S Sepulveda Blvd, Los Angeles, CA 90045. This project received a total of $27,446,400 in financing from LAHD under the Homekey Round 2 (C.F. No. 21-0112-S1) acquisition and rehabilitation award. This project expects to complete rehabilitation by March 31, 2026 and, with the proposed additional Linkage Fee funding, expects to close the permanent loan by September 31, 2026. This project has experienced challenges with delays due to the relocation of tenants that remained on site after the acquisition. In addition, the project had unforeseen construction costs associated with the City building codes, such as electrical receptacle corrections, plumbing system repairs, mold remediation, and general contractor schedule extensions. The construction delay and additional scope of work have increased the budget by $3,000,000 for labor, materials, relocation, and insurance costs. Additional Linkage Fee funds will ensure the project's expeditious conversion and reduce further delays and/or default.

Gap Funding for Alvarado & Temple

The Alvarado & Temple Apartments is a scattered-site development located at 916 N. Alvarado Street, Los Angeles 90026 (24 units) and 2812 West Temple Street, Los Angeles 90026 (42 units). Rehabilitation was completed in November 2025. The project received a total of $17,557,000 in financing from the LAHD via the Project Homekey Round 2 (C.F. No.-22-0112 & 22-0112-S1). The project experienced significant challenges, including additional accessibility work and required egress paths of travel, as well as the need to address various deficiencies from the original construction scope, such as water damage and roof repairs in both buildings. This led to additional expenses for insurance extensions, labor coordination, and consultants. To ensure the project's expeditious conversion to permanent financing and reduce the risk of default, additional funds are necessary to cover the $2,000,000 financing gap. Securing this funding is also critical to reducing the project's permanent loan in order to strengthen the financial feasibility of the project.

Exchange of Funding Sources for PHK Projects

During the solicitation for projects to co-apply for the HCD Homekey funds for Round 3, LAHD was notified that project-based vouchers were limited. Instead, the Housing Authority of the City of Los Angeles (HACLA) opted to apply for acquisition funds to acquire newly built buildings and convert to permanent supportive housing. In order to leverage the State Homekey funds and competitively compete, HACLA requested acquisition funding from LAHD.

On June 16, 2023, the City Council authorized LAHD to work with HACLA and execute sole source loan documents in an amount of up to $30 million for HACLA's three project sites, which include the McLaughlin and 4818 Sepulveda Projects (C.F. No. 21-0112-S3). The original approval for these HACLA projects included a mix of federal HOME and state Permanent Local Housing Allocation (a.k.a. SB2) funds. LAHD staff is proposing to swap the HOME funds with Linkage Fee funds. Under this proposal, the HOME funds would be redirected toward projects not compatible with the Linkage Fee program. The two sites identified for Linkage Fee funds for acquisition are as detailed below.

Acquisition of McLaughlin

McLaughlin involves the acquisition of a newly constructed building located at 3705 McLaughlin Avenue, Los Angeles 90066 in Council District 11. The Project consists of 21-unit apartment building and five (5) newly constructed accessory dwelling units. One (1) unit was converted into a service and community space. Twelve (12) units will serve people experiencing homelessness, and twelve (12) units will serve people at-risk of homelessness. The project did obtain project-based vouchers for twenty-four (24) of the twenty-five (25) units. The borrower, McLaughlin Village, Inc., a subsidiary entity of HACLA, will leverage the $6,188,150 in LAHD funds with the HCD Homekey funds and a permanent loan.

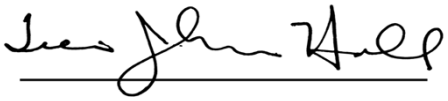
Acquisition of 4818 Sepulveda

4818 Sepulveda Blvd, Sherman Oaks, CA 91403 involves the acquisition of a newly constructed building in Council District 4. The proposal is to acquire the site and convert the building from thirty-six (36) units to a total of thirty-four (34) units, plus one (1) manager's unit, and convert one (1) unit into an office space. The property will undergo minor renovations, including accessibility improvements and conversion of a one-bedroom unit to an office and supportive service delivery space. HACLA will partner with experienced supportive services providers and property management agencies to operate the Property. The borrower, Maida-Sepulveda Inc, a subsidiary entity of HACLA, will leverage the $8,084,200 in LAHD funds with the HCD Homekey funds and a permanent loan.

FISCAL IMPACT

There is no impact to the General Fund.

Approved By:



TIENA JOHNSON HALL
General Manager
Los Angeles Housing Department

ATTACHMENT:

Affordable Housing Linkage Fee Report 12-18-2025

Tiena Johnson Hall, General Manager
Luz C. Santiago, Acting Executive Officer

Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager
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INTER-DEPARTMENTAL MEMORANDUM

TO: AFFORDABLE HOUSING LINKAGE FEE OVERSIGHT COMMITTEE

FROM: TIENA JOHNSON HALL, GENERAL MANAGER

DATE: DECEMBER 18, 2025

REGARDING: **UPDATE AND RELEVANT RECOMMENDATIONS REGARDING THE FY 2023-24 AND FY 2024-25 AFFORDABLE HOUSING LINKAGE FEE REVENUES AND FUTURE REVENUES**

On December 13, 2017, the Los Angeles City Council adopted the Affordable Housing Linkage Fee (AHLF) Ordinance (C.F. No. 17-0274), which amends Chapter II of the Los Angeles Municipal Code. Effective July 1, 2025, an adjustment to the Ordinance places a fee on residential development ranging from $1.28 to $23.20 per square foot, depending on the market area, and non-residential developments ranging from $3.86 to $6.44 per square foot, depending on market area, to mitigate housing market impacts of new projects and generate local funding for affordable housing production and preservation in the City. The Ordinance also stipulates various exemptions and deductions based on project characteristics.

The AHLF funds are held in an interest-bearing account named Program Income and Interest. In past years, these funds were distributed towards the tiered allocations (inclusive of both program and administrative dollars). As a note, this program generates income through the interest on the loans (interest income) and loan repayments on the loans (program income).

The Housing Impact Trust Fund (HITF, Fund 59T) Linkage Fee receipts collected from July 1, 2023 through June 30, 2024, total $34,896,521.47 (which includes interest and program income). And, as of November 24, 2025, the total receipts collected from July 1, 2024 through June 30, 2025, total $36,961,055.71 (which includes interest and program income). At this time, the Los Angeles Housing Department (LAHD) has not created an expenditure plan for either FY 2023-24 nor FY 2024-25.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that the AHLF OC recommend that the Council, subject to approval by the Mayor, take the following actions:

I. INSTRUCT the Los Angeles Housing Department to amend the tiered funding structure and funding transition to a single program expenditure account as follows:

A. INSTRUCT the Los Angeles Housing Department to combine Rental - Preservation and Rental - New Construction categories.

B. INSTRUCT the Los Angeles Housing Department to eliminate the Innovative Housing Demo and Innovative Housing Demo ADU categories from the Affordable Housing Linkage Fee Funding Tier Structure and reallocate existing and future funds to the newly combined Rental - Preservation and Rental - New Construction category.

C. INSTRUCT the Los Angeles Housing Department to remove the Low Income Housing Purchase Assistance Program (LIPA) and Moderate Income Purchase Assistance (MIPA) categories and reallocate existing and future funds to the newly combined Rental - Preservation and Rental - New Construction category.

II. INSTRUCT the Los Angeles Housing Department to adopt the FY 2023-24 and FY 2024-25 Expenditure Plan in Attachment A of this report.

III. INSTRUCT the Los Angeles Department of City Planning, in coordination with the Los Angeles Housing Department, to issue a Request For Proposals or a Task Order Solicitation not to exceed $450,000 in order to obtain a consultant for the completion of a new nexus study.

IV. AUTHORIZE the Controller to transfer up to $450,000 from the City of Los Angeles Housing Impact Trust Fund No. 59T, Account 43T904 - Administrative Reserve to the Los Angeles Department City Planning's Account 003040, Fund 68/100 for the amount to be awarded to the consultant from the Request for Proposals or Task Order Solicitation for the completion of a new nexus study.

V. AUTHORIZE the Controller to increase and/or decrease the following accounts within the City of Los Angeles Housing Impact Trust Fund No. 59T.

Account	Account Name	Amount
43YC47	Innovative Housing Demo - Other	$ (452,956.79)
43Y723	Rental New Construction	$452,956.79
43WC47	Innovative Housing Demo - Other	$ (830,264.49)
43W723	Rental New Construction	$830,264.49
43R727	Innovative Housing Demo - Accessory Dwelling Unit	$ (500,000.00)
43S723	Rental New Construction	$500,000.00
	Total:	$0.00

VI. AUTHORIZE the Controller to establish new accounts and increase appropriations for the following accounts within the City of Los Angeles Housing Impact Trust Fund No. 59T.

Account	Account Name	Amount
43C904	Administrative Reserve	$1,577,483.36
43CD72	Rental New Construction & Preservation	$79,878,363.72

*$3,966,675 in administrative costs was already allocated to multiple accounts for staff and administrative costs through the FY2026 budget process. When that amount is added to the $1,577,483.36 Admin Reserve shown in the table above, the total is $5,544,158.36, which represents the 15% administrative allocation for FY24-25 receipts.

*Total project amount of $81,661,585 consists of $79,878,363.72 shown in the table above and $1,783,221.28 programmed from innovative housing demo

VII. AUTHORIZE the LAHD General Manager, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and City Council actions, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement these instructions.

BACKGROUND

As instructed by the AHLF Oversight Committee (OC) at the April 17, 2025 meeting, the LAHD has paused expenditures of program receipts collected in FY 2023-24, as well as FY 2024-25.

The LAHD returns to the AHLF OC on December 18, 2025 with expenditure plans spanning two fiscal years (FY 2023-24 and FY 2024-25). This two-year expenditure plan recommends changes to the current structure of the Linkage Fee. This report recommends an expenditure plan that considers changes in the affordable housing funding landscape and the ultimate highest and best use of the funds as discussed in the July 30, 2025 AHLF OC report. Finally, this report also recommends instructing the Los Angeles Department of City Planning and the LAHD to complete a new nexus study.

<u>Highroad LLC Lawsuit Update</u>

Final resolution of *The Highroad, LLC v. City of Los Angeles et al.*, Case No. 21STCV37436 (consolidated with Case No. 23STCV24554), will resolve whether the City (1) lawfully imposed linkage fees on approximately 629 developments; and (2) must refund those fees.

Plaintiff, The Highroad, LLC ("Highroad"), identified 629 circumstances in which the City had imposed linkage fees and arranged with the persons or entities who paid or owed linkage fees to assign to Highroad their rights to challenge the legality of the linkage fees and to seek refunds. Highroad then filed suit to challenge the linkage fees and seek refunds, for itself, of approximately $16 million in fees paid or owed by parties who purportedly assigned their claims to Highroad. The Superior Court ruled that the Linkage Fee is not a special tax, but the City had not complied with the Mitigation Fee Act with respect to one type of residential development - additions to, or replacement of, single family homes resulting in net increase of 1,501 square feet or more (SFH).

The Mitigation Fee Act ("MFA") was enacted by the California state legislature (Govt. Code § 66000 *et seq*) in the 1980s to address developer concerns that local agencies were imposing development fees for purposes unrelated to development projects. Amendments in subsequent years added many requirements to the original ones in the MFA. One of the MFA's primary requirements is that a local agency, prior to imposition of a legislatively enacted, generically applicable fee on development types as a condition of approval of development projects, identify the purpose and use of the fee, and demonstrate a reasonable relationship or nexus between the fee's need and use, and the type of development project subject to the fee. Gov. Code § 66001(a).

After the Court ruled on the special tax and MFA causes of action, the City filed a motion for an order barring Highroad from recovering any refunds. The City asserted that Highroad, as a third party which did not itself pay any fees, lacks any right to refunds as a matter of statutory and common law, irrespective of the purported assignments. On March 20, 2025, the Court granted the City's motion, ruling that irrespective of the Court's order declaring the linkage fees to have been unlawfully imposed, and irrespective of the purported assignment of the refund claims, Highroad may not recover refunds. The Court also vacated the August 4, 2025 date it had set for a damages/refund trial.

Highroad filed a motion for reconsideration, or in the alternative, motion to substitute the individual property owners for Highroad, which the Court denied on June 11, 2025. The Superior Court entered Judgment on July 2, 2025.

Highroad filed a notice of appeal on July 8, 2025. Highroad will seek to persuade the California Court of Appeal, Second District, to reverse the Superior Court's determination that Highroad may not recover refunds. The City filed a notice of cross-appeal on August 29, 2025.

Summary of Tiered Category Changes

Table 1 below includes proposed changes to the tiered allocation system. The new structure reduces the number of program categories from six (6) to one (1). Additionally, given that the Department only proposes one (1) program category for expenditure, the tiered structure with varying percentage allocations per category becomes obsolete.

Table 1: Category Changes

Previous Category	New Category	Rationale
Rental New Construction	Combined Rental New Construction - Preservation	The Homes For LA NOFA combines the Linkage Fee with HOME and PHLA/SB2 as part of the Pooled Sources Program for new construction and preservation. For consistency, the Department recommends combining the rental new construction and preservation categories so as to let the competitiveness of projects dictate investment decisions.
Rental Preservation	Combined Rental New Construction - Preservation	Same as above.

Previous Category	New Category	Rationale
Innovative ADU Program	Eliminate this category	ADU funds have not been expended since the decision to allocate the funds to this category. This is in large part because program design for the ADU program (CF 21-0541) has not been scheduled in committee for approval. The Department recommends removing this category and rolling the funds into the new combined category.
Innovative Housing Demo	Eliminate this category	Innovative Housing Demo funds have not been expended since the decision to allocate the funds to this category. The Innovative Housing Demo funds lacked a scope, and without sufficient matching funds from another source, the Department has been unable to include them in a new project. The Department recommends removing this category and rolling the funds into the new combined category.
Middle Income Purchase Assistance Program (MIPA)	Eliminate this category	Given the new requirement to expend 40% of the PHLA funds on Homeownership programs, the Department will rely on that source to support the MIPA program in its entirety. The Department recommends removing this category and rolling the funds into the new combined category.
Low Income Purchase Assistance Program (LIPA)	Eliminate this category	The LIPA program has an average allocation of $6.3 million annually, made up of funds from the Linkage Fee, HOME, and First Citizens Bank Community Development Grant. Meanwhile, the ULA proposes $11,699,806 for the LIPA program in Year 1. Given that the Linkage Fee contribution to LIPA is nominal and the ULA proposed LIPA program allocation totals more than all of the other sources combined, the Department recommends that Linkage Fee funds no longer be allocated to LIPA and instead removing this category and rolling the funds into the new combined category.

Expanded Uses Under The New Linkage Fee Category

The Los Angeles City Council approved the LAHD's Homes for LA Notice of Funding Availability (NOFA) Pooled Sources Program (CF 25-0690) on July 1, 2025. The Pooled Sources Program in the NOFA has been designed to accept both new construction and preservation proposals. Therefore, since Pooled Sources includes Linkage Fee, the Department recommends combining the Rental - New Construction and Rental - Preservation Linkage Fee tier categories into a single category to match the Homes for LA NOFA design, as previously described. Additionally, the Department recommends expanding the scope of preservation uses under the Linkage Fee to include the following, due to the evolving needs in the preservation market:

1. **Resyndication -** Resyndication in the context of the Low-Income Housing Tax Credit (LIHTC) refers to the process of obtaining a new allocation of LIHTCs for a project originally financed with LIHTC, typically after the initial 15-year compliance period. This allows for the preservation of affordable housing through rehabilitation and upgrades, making older properties more sustainable and marketable.

2. **Recapitalization -** Recapitalization may or may not include the use of LIHTCs, but it does provide new capital and restructures the existing financing in a deal, typically around year 15 of their initial 15-year compliance period.

3. **Replacement Reserves -** Replenishment of replacement reserves refers to the required excess cash each building must maintain in order to make repairs to the building. These funds get deployed for emerging capital needs such as making repairs to vacant units to fill them and repairing or replacing building systems.

Combined Expenditure Plan Years and Allocations

The LAHD recommends approval of two years' worth of expenditure plans. The new allocations have been summarized in Table 2 below (and also provided in Attachment A in greater detail). The primary goal for each project and/or initiative is to ensure legally binding funding commitments (i.e. loan agreements) receive signature and approval between 6-8 months as of the adoption of this report.

Table 2: Expenditure Plan Projects

Division	Project/Initiative	Project Type(s)	Funding Type	Funding Amount	Number Of Units Funded
Housing Innovation and Strategies	Project Homekey	New Construction/ Rehabilitation	Gap	$5,000,000	186
Housing Innovation and Strategies	Project Homekey	New Construction/ Rehabilitation	New	$14,272,350	60
Asset Management	CoC Backfill	Preservation	Gap	$32,000,000*	1,828*
Asset Management	Deferred Maintenance and Abatement Resolve	Preservation	New	$30,389,235*	2,023*
			Total	$81,661,585	4,097 Units

******Number subject to change due to pending data verification*

Housing Innovation and Strategies

Project Homekey Financing Gaps

The Homekey Program, administered by the California Department of Housing and Community Development (HCD), must be used to acquire and/or rehabilitate a broad range of housing types, including but not limited to; hotels, motels, hostels, single-family homes, multifamily apartments, adult residential facilities, manufactured housing, commercial properties, and other existing buildings to provide permanent or interim housing, property management, and supportive services for Target Population(s). The Target Population is defined as individuals or families who are at risk of homelessness, individuals and families who are chronically homeless, individuals and families who are homeless, youth who are homeless, and youth who are at risk of homelessness. Since the award of the funds, some of the projects have experienced significant delays and cost increases.

6531 Sepulveda (aka Sepulveda Heights) contains 118 affordable units and is located at 6531 S Sepulveda Blvd, Los Angeles, CA 90045. This project received a total of $27,446,400 in financing from LAHD under the Homekey Round 2 (CF 21-0112-S1) acquisition and rehabilitation award. This project expects to complete rehabilitation by March 31, 2026 and, with the proposed additional Linkage Fee funding, expects to close the permanent loan by September 31, 2026. This project has experienced challenges with delays due to the relocation of tenants who remained on site after the acquisition. In addition, the project had unforeseen construction costs associated with the City building codes, such as electrical receptacle corrections, plumbing system repairs, mold remediation, and general contractor schedule extensions. The construction delay and additional scope of work have increased the budget by $3,000,000 for labor, materials, relocation, and insurance costs. Additional Linkage Fee funds will ensure the project's expeditious conversion and reduce further delays and/or default.

The Alvarado & Temple Apartments is a scattered-site development located at 916 N. Alvarado Street (24 units) and 2812 West Temple Street (42 units). Rehabilitation was completed in November 2025. The project received a total of $17,557,000 in financing from the LAHD via the Project Homekey Round 2 (CF-22-0112 & 22-0112-S1). The project experienced significant challenges, including additional accessibility work and required egress paths of travel, as well as the need to address various deficiencies from the original construction scope, such as water damage and roof repairs in both buildings. This led to additional expenses for insurance extensions, labor coordination, and consultants. To ensure the project's expeditious conversion to permanent financing and reduce the risk of default, additional funds are necessary to cover the $2,000,000 financing gap. Securing this funding is also critical to reducing the project's permanent loan in order to strengthen the financial feasibility of the project.

Project Homekey New Funding

During the solicitation for projects to co-apply with for the HCD Homekey funds for Round 3, LAHD was notified that project-based vouchers were limited. Instead, the Housing Authority of the City of Los Angeles (HACLA) selected to apply for acquisition funds to acquire newly built buildings and convert to permanent supportive housing. In order to leverage the State Homekey funds and competitively compete, the HACLA requested acquisition funding from the LAHD.

The original approval includes a mix of HOME and SB2 funds. At this time, the LAHD will switch the HOME funds with the Linkage Fee in order to use the HOME funds for other housing developments,

which are not feasible under the Linkage Fee program. The two sites identified for Linkage Fee funds for acquisition are as follows:

McLaughlin is an acquisition of a newly constructed building located at 3705 McLaughlin Avenue in Council District 11. The Project consists of a total of twenty-five (25) units that include a 21-unit apartment building with five newly constructed accessory dwelling units. One (1) unit was converted into a service and community space. Twelve (12) units will serve people experiencing homelessness, and twelve (12) units will serve people at-risk of homelessness. The project did obtain project-based vouchers for twenty-four (24) of the twenty-five (25) units. The borrower will be a related entity to HACLA. The borrower will leverage the $6,188,150 in LAHD funds with the HCD Homekey funds and a permanent loan.

4818 Sepulveda Blvd, Sherman Oaks, CA 91403 is an acquisition of a newly constructed building in Council District 4. The proposal is to acquire the site and convert the building from thirty-six (36) units to a total of thirty-four (34) units, plus one (1) manager's unit, and convert one (1) unit into an office space. The property will undergo minor renovations, including accessibility improvements and conversion of one (1) one-bedroom unit to office and supportive service delivery space. HACLA will partner with experienced supportive services and property management agencies to operate the Property. The borrower will leverage the $8,084,200 in LAHD funds with the HCD Homekey funds and a permanent loan.

Asset Management

Continuum of Care Permanent Supportive Housing Backfill

On December 8, 2025, the U.S. Department of Housing and Urban Development (HUD) temporarily withdrew the Continuum of Care (CoC) Notice of Funding Opportunity (NOFO) that included substantial changes to program requirements that would significantly reduce operating subsidies for permanent supportive housing (PSH). Specifically, the NOFO would put a 30% annual CoC expenditure cap on both annual renewal demand programs and on permanent housing operating subsidies. Previously, the annual renewal demand program cap was 90%, and there was no cap on permanent housing subsidies. HUD's withdrawn NOFO included other significant changes, including eliminating priorities for any populations other than elderly populations and people with physical disabilities, thus deprioritizing individuals with substance abuse disorders and mental health disabilities, both of whom account for a majority of the individuals living in LAHD-financed permanent supportive housing projects.

Despite the sudden withdrawal of the NOFO, HUD intends to reissue a modified NOFO and implement these changes "in advance of the deadline for obligation of available Fiscal Year 2025 funds." A federal judge gave HUD until December 15, 2025 to explain its decision to rescind its notice, and a final ruling on the Temporary Restraining Order on the 2025 NOFO will be issued on December 19, 2025. With the majority of the Los Angeles CoC's awards expiring between July and December 2026, strategies and solutions for mitigating the loss of CoC resources should continue to be identified.

HUD's proposed 30 percent cap on permanent housing would limit the CoC-funded PSH operating subsidies to $65,163,415, resulting in a $127,731,749 gap (across the entire CoC) to maintain funding for the CoC-funded permanent housing portfolio. This would put nearly 5,000 households (6,800 people) in the entire CoC area at risk of losing their rental assistance. While this total includes projects

that are not financed by LAHD, the impacts to the LAHD-financed portfolio are still significant. Preliminary numbers from the HACLA suggest that 1,828 units of LAHD-financed units receive $31,046,260 in HUD CoC grants. In addition, there are non-LAHD funded projects in the City of Los Angeles that rely on receiving CoC grants.

Just focusing on the LAHD-financed projects, over a 3-year period, the operational deficit for the 1,828 units would reach a total of $93,138,780. Even with the CoC subsidy, many of the projects which contain the 1,828 units lack a positive cash flow. Should HUD proceed with changes this fiscal year to the program requirements that severely limit permanent housing and renewal funding, LAHD has identified Linkage Fee funding of up to $35,000,000 as a one-time support mechanism, so as to ensure short-term operational preservation. Because LAHD has existing loan agreements with these projects, it could act quickly to redress the anticipated substantial reduction in CoC funding, were Linkage Fee funds to be available. This would provide the City, and potentially the County, with an additional year to identify a source of funds to permanently replace the subsidies in the 1,828 units.

Deferred Maintenance Program

The creation of the Troubled Assets unit within the Asset Management Division of LAHD has provided the department with insight into the number of projects in its portfolio in need of deferred maintenance support and an overall preservation strategy. LAHD's loan portfolio has a total value of $3 billion and more than 4,500 loans and over 600 multi-family projects. Periodically, some projects may experience financial instability, which poses a risk to low-income tenants and the City's loan investment. To mitigate these risks, LAHD has created a Watchlist to identify and monitor any troubled projects. Although LAHD's Watchlist is not complete, a preliminary review of forty-two (42) projects on the Watchlist determined that a need to address deferred maintenance exists, and costs range between $200,000 to $1 million per building.

More specifically, deferred maintenance refers to extending the useful life of buildings by addressing critical building system repairs, health and safety hazards, accessibility deficiencies, and vacant units needing repairs prior to turnover to a new tenant. Assisting projects with deferred maintenance will help to prevent future building systems failure, which become more expensive over time. Additionally, funding deferred maintenance will restore offline units to make them available for occupancy.

Unoccupied units in a building result in less building income and fewer units for people to inhabit. In a recent study by Claire Knowlton commissioned by the Hilton Foundation, it was reported that "At December 31, 2022, abatements accounted for about half of the vacant units in the [Skid Row Housing] Trust's portfolio" prior to its transfer.[1] There is a demonstrated need to clear deferred maintenance issues in order to extend the operating life of the building and increase building occupancy.

This Deferred Maintenance Program serves a different purpose than the Operations Assistance program and all of the other preservation programs under the Homes For LA NOFA. The Deferred Maintenance Program has a narrow focus – it seeks to provide projects with enough capital funds to address deferred maintenance to increase the longevity of the building.

The ULA Operating Assistance Program provides only up to $250,000 in capital repairs, which, in most cases, is not enough to address all deferred maintenance contained in projects which have been placed in

[1] "Abatements" refers to units that are vacant pending compliance with a habitability abatement order from the Housing Authority of the City of Los Angeles (HACLA).

service for 20+ years. ULA Alt. Models Preservation and Pooled Sources Preservation are considered full recapitalization programs and often require leveraging of other funding sources, like competitive tax credits. The Deferred Maintenance Program exists between both the Operations Assistance Program and the larger Preservation (recapitalization) programs.

The Department will establish a similar framework adopted by Council under the Fast Track Solutions program, wherein criteria are established, and funds will be awarded only to projects within the portfolio. Such criteria will include a maximum award amount per project, project typology preferences, and a requirement to submit a Capital Needs Assessment (CNA). The Department expects that loans under this new program will close no later than 6-8 months from the date Council approves this expenditure plan.

AHLF Revenue Analysis

In FY 2024-25, the AHLF generated approximately $58,894,044 in revenue. The data revenue tables and citywide map in Appendix A provide a detailed overview of the revenue generated by project type, market type, and Council District.

The Data Revenue Table 1 shows that permits issued for 1 or 2 Family Dwelling projects generated over $33 million in revenue, representing 56% of the City's total. Commercial projects generated nearly $15 million, representing 25% of the total, and Apartment projects generated nearly $11 million, which represented 19% of the total City revenue.

When Market Areas are taken into consideration, Data Revenue Table 2 shows that 1 or 2 Family Dwelling projects in High Market Areas accounted for the largest proportion of the revenue generated for the City, with over $11.3 million. Second was Apartment projects in Medium-High Market areas with over $9.4 million, and third was 1 or 2 Family Dwelling projects in Low Market areas with over $8.5 million.

The Citywide Map shows the distribution of linkage fee revenue generated by Council Districts. Council District 10 generated the largest AHLF revenue amount in the City with nearly $13.2 million, representing 22% of the City's total. While the largest count of permits issued were for 1 or 2 Family Dwelling projects in Medium Market areas, with a total of 48 that amounted to over $1.4 million, the largest proportion of the total revenue generated occurred for Apartment projects in Medium-High Market areas, with three permits issued that generated over $9 million. Second in total revenue were Commercial projects in Medium Market areas, with three permits issued that generated over $2.3 million.

Council Districts 13, 11, and 5 generated the next largest portions of the AHLF total, ranging from $6 million to $8.3 million and, when combined, represent 35% of the City total. In CD 13, Commercial projects in High Market areas generate the largest proportion of revenue, with four permits issued generating over $4.9 million. Also in CD 13, 1 or 2 Family Dwelling projects in Medium-High Market areas generated $2.6 million from 74 permits. In contrast, the largest proportion for both CD 11 and CD 5 were 1 or 2 Family Dwelling projects in High Market areas. CD 11 had 81 permits issued that generated over $6 million, and CD 5 had 45 permits issued that generated over $5.2 million.

Council Districts 1, 7, 12, and 15 all generated the lowest AHLF revenue amounts, with just over $1 million each. All Council Districts generated their largest linkage fee proportions for 1 or 2 Family Dwelling projects in Low and Medium Market areas. CD 1 had 14 permits issued in Medium Market areas for a total of $500,000. CD 7 had 29 permits issued in Low Market areas, generating nearly

$679,000. CD 12 had 26 permits issued in Low Market areas for a total of $965,000. And CD 15 had 37 permits issued in Low Market areas that generated nearly $950,000.

ATTACHMENTS:

Appendices - Data Revenue Table and Map
Attachment A - Linkage Fee Expenditure Plan FY 2023-24 and FY2024-25 Table

Appendices: Data Revenue Table & Map

Appendix A: Data Revenue Table 1

Summary of Project Types Subject to the Linkage Fee

Permits Issued 7/1/24 - 6/30/25

PROJECT TYPE	PERMITS ISSUED	PERMIT PERCENTAGE	TOTAL REVENUE	REVENUE PERCENTAGE	AVERAGE REVENUE
1 or 2 Family Dwelling	811	91.8%	$33,053,076	56.1%	$40,756
Commercial	32	3.6%	$14,932,806	25.4%	$466,650
Apartment	40	4.5%	$10,908,162	18.5%	$272,704
Total	883	100.0%	$58,894,044	100.0%	$780,110

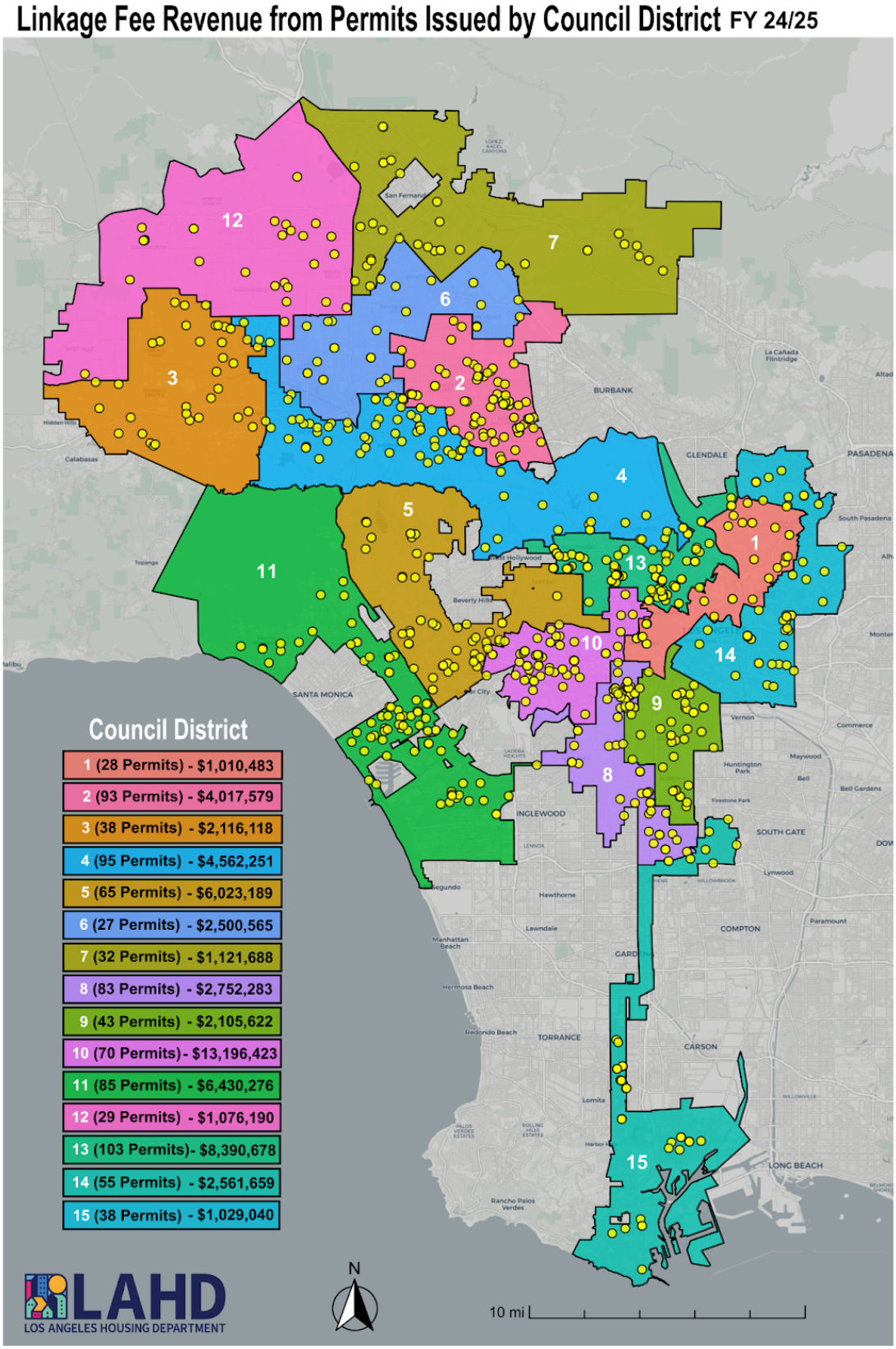
Appendix A: Data Revenue Table 2

Summary of Project Types by Market Areas Subject to the Linkage Fee

Permits Issued 7/1/24 - 6/30/25

PROJECT TYPE	MARKET AREA	PERMITS ISSUED	PERMIT PERCENTAGE	TOTAL REVENUE	REVENUE PERCENTAGE
1 or 2 Family Dwelling	High Market Area	126	14.3%	$11,365,920	19.3%
Apartment	Medium-High Market Area	9	1.0%	$9,419,547	16.0%
1 or 2 Family Dwelling	Low Market Area	294	33.3%	$8,550,196	14.5%
1 or 2 Family Dwelling	Medium Market Area	261	29.6%	$8,398,901	14.3%
Commercial	High Market Area	11	1.2%	$7,062,966	12.0%
Commercial	Medium Market Area	13	1.5%	$6,826,184	11.6%
1 or 2 Family Dwelling	Medium-High Market Area	130	14.7%	$4,738,058	8.0%
Commercial	Low Market Area	8	0.9%	$1,043,656	1.8%
Apartment	Low Market Area	17	1.9%	$710,606	1.2%
Apartment	Medium Market Area	11	1.2%	$678,128	1.2%
Apartment	High Market Area	3	0.3%	$99,881	0.2%
Total	-	883	100.0%	$58,894,044	100.0%

Appendix B: Citywide Map



Attachment A - Linkage Fee Expenditure Plan FY 2023-24 and FY2024-25

Linkage Fee Expenditure Plan FY 2023-24 and FY 2024-25	
Total Collected in FY 2023-24	**$34,896,521**
Total Collected in FY 2024-25	**$36,961,056**
Total Collected (so far) in FY 2025-26	**$10,108,370**
Total Collected in FYs 2023-24, 2024-25, and 2025-26 (Partial)	**$81,965,947**
Commitments 2023 - Present	**$304,362**
Total Available	**$81,661,585**

Project/Initiative	Reccomended Amount	Total(s)
Asset Management		
CoC Grant Backfill Year 1 / Operating Support	$32,000,000	
Deferred Maintenance Program	$30,389,235	**$62,389,235**
Housing Strategies		
Project Homekey Gap Financing	$5,000,000	
Project Homekey New Financing	$14,272,350	**$19,272,350**
	TOTAL:	**$81,661,585**