

Ann Sewill, General Manager  
Tricia Keane, Executive Officer

City of Los Angeles



LOS ANGELES HOUSING DEPARTMENT  
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Karen Bass, Mayor

<b>TRANSMITTAL</b>		
<b>TO:</b> THE CITY COUNCIL	<b>DATE:</b> NOVEMBER 9, 2022	<b>COUNCIL FILE NO.:</b> 17-0274
<b>FROM:</b> THE AFFORDABLE HOUSING LINKAGE FEE OVERSIGHT COMMITTEE		<b>COUNCIL DISTRICT:</b> ALL

On October 12, 2022, the Affordable Housing Linkage Fee (AHLF) Oversight Committee (OC) heard the Los Angeles Housing Department’s (LAHD) Report to request approval of the Expenditure Plan for the Housing Impact Trust Fund (Fund 59T) receipts collected from April 1, 2021 through June 30, 2022 and to request approval of other actions necessary to adopt the Expenditure Plan. The OC approved the October 6, 2022 report’s Expenditure Plan, Resolution, Controller Instructions, and Rental Preservation Program Summary of Guidelines, as amended below.

The AHLF OC recommends that the Council, subject to the approval of the Mayor, approve LAHD’s report, with the amendments outlined below:

- I. ADOPT the AHLF Resolution, which effectuates the set-aside of \$7 million outside of the adopted tier system for the FY 2021-22 Expenditure Plan.
- II. APPROVE the Affordable Housing Linkage Fee Expenditure Plan for the balance of revenue collected during quarter four of FY 2020-21 and all revenue collected during FY 2021-22.

**The following tables summarize the Expenditure Plan:**

FY2020-21 Receipts: \$ 3,445,664.83 Revenue as of April 1, 2021 - June 30, 2021 - To be approved via this Report

AHLF Funding Tiers	AHLF Funding Tier Amount Level	AHLF Funds to Be Allocated	City Admin.	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
Tier 1	Percentage Allocation for Tier 1		15.0%	60.0%	20.0%	5.0%	0.0%	0.0%	0.0%
	Revenue up to \$10M		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tier 2	Percentage Allocation for Tier 2		15.0%	50.6%	14.3%	12.5%	5.1%	2.5%	0.0%
	Revenue above \$10M, up to \$50M / Year	\$ 3,445,664.83	\$ 516,849.72	\$ 1,743,506.40	\$ 492,730.07	\$ 430,708.10	\$ 175,728.91	\$ 86,141.62	\$ -
Tier 3	Percentage Allocation for Tier 3		15.0%	51.0%	15.0%	10.0%	5.0%	2.0%	2.0%
	Revenue above \$50M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Tier Allocations:</b>		<b>\$ 3,445,664.83</b>	<b>\$ 516,849.72</b>	<b>\$ 1,743,506.40</b>	<b>\$ 492,730.07</b>	<b>\$ 430,708.10</b>	<b>\$ 175,728.91</b>	<b>\$ 86,141.62</b>	<b>\$ -</b>

FY2021-22 Receipts: \$ 34,133,312.11 Minus \$7 million set-aside for Homeownership/ADU \$7,000,000 \$ 27,133,312.11 Remaining Balance to Allocate

AHLF Funding Tiers	AHLF Funding Tier Amount Level	AHLF Funds to Be Allocated	City Admin.	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
Tier 1	Percentage Allocation for Tier 1		15.0%	60.0%	20.0%	5.0%	0.0%	0.0%	0.0%
	Revenue up to \$10M	\$ 10,000,000.00	\$ 1,500,000.00	\$ 6,000,000.00	\$ 2,000,000.00	\$ 500,000.00	\$ -	\$ -	\$ -
Tier 2	Percentage Allocation for Tier 2		15.0%	50.6%	14.3%	12.5%	5.1%	2.5%	0.0%
	Revenue above \$10M, up to \$50M / Year	\$ 17,133,312.11	\$ 2,569,996.82	\$ 8,669,455.93	\$ 2,450,063.63	\$ 2,141,664.01	\$ 873,798.92	\$ 428,332.80	\$ -
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	Revenue above \$50M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Tier Allocations:</b>		<b>\$ 27,133,312.11</b>	<b>\$ 4,069,996.82</b>	<b>\$ 14,669,455.93</b>	<b>\$ 4,450,063.63</b>	<b>\$ 2,641,664.01</b>	<b>\$ 873,798.92</b>	<b>\$ 428,332.80</b>	<b>\$ -</b>

The totals are summarized as follows:

AHLF Funding Tiers	AHLF Funding Tier Amount Level	AHLF Funds to Be Allocated	City Admin.	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
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	Revenue up to \$10M	\$ 10,000,000.00	\$ 1,500,000.00	\$ 6,000,000.00	\$ 2,000,000.00	\$ 500,000.00	\$ -	\$ -	\$ -
Tier 2	Percentage Allocation for Tier 2		15.0%	50.6%	14.3%	12.5%	5.1%	2.5%	0.0%
	Revenue above \$10M, up to \$50M / Year	\$ 20,578,976.94	\$ 3,086,846.54	\$ 10,412,962.33	\$ 2,942,793.70	\$ 2,572,372.12	\$ 1,049,527.82	\$ 514,474.42	\$ -
Tier 3	Percentage Allocation for Tier 3		15.0%	51.0%	15.0%	10.0%	5.0%	2.0%	2.0%
	Revenue above \$50M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Tier Allocations:</b>		<b>\$ 30,578,976.94</b>	<b>\$ 4,586,846.54</b>	<b>\$ 16,412,962.33</b>	<b>\$ 4,942,793.70</b>	<b>\$ 3,072,372.12</b>	<b>\$ 1,049,527.82</b>	<b>\$ 514,474.42</b>	<b>\$ -</b>

III. AUTHORIZE the City Controller to:

- A. Establish new accounts and appropriate funds within Fund 59T-City of LA Housing Impact Trust Fund as follows:

Account No.	Account Name	Amount
43W723	Rental New Construction *	\$ 14,940,833.25
43W724	Rental Preservation *	\$ 4,857,253.31
43W725	Homeownership MIPA *	**\$7,668,687.98
43W726	Homeownership LIPA *	\$ 403,633.19
43WC47	Innovative Housing Demo - Others	\$ 514,474.42
43W727	Innovative Housing Demo - ADU	**\$2,000,000.00
	<i>Subtotal:</i>	\$ 30,384,882.15
<i>City Admin (15% Cap)</i>		
43W143	LAHD	\$ 1,687,203.46
43W299	Related Costs	\$ 864,262.58
43W792	HIMS Replacement	\$ 1,000,000.00
43TA44	Policy Studies	\$ 200,000.00
43W904	Admin Reserve Account	\$ 1,069,528.75
	<i>Subtotal:</i>	***\$4,820,994.79
	<b>Total:</b>	****\$35,205,876.94

\* Program staff costs eligible for Linkage Fee funds outside of the admin category have been subtracted from applicable program allocations and added to Account 43W143. The program accounts are for direct program expenditures (i.e. loans for affordable housing).

\*\* MIPA and ADU allocations include \$5M and \$2M set asides, respectively, allocated by the FY 2022-23 budget process

\*\*\*\$ 234,148.25 in program staff costs eligible for Linkage Fee funds outside of the admin category was not included in the FY2023 budget appropriations and are included in these Controller instructions.

\*\*\*\*\$2,373,100 was already allocated to 43W143 via the FY2023 budget process. When that amount is added to this total, it adds up to \$37,578,976.94, which is equal to the total receipts for this expenditure plan.

- B. Transfer \$315,790.07 from 43R727–Innovative Housing Demo-ADU to 43WC47-Innovative Housing Demo-Others within Fund 59T-City of LA Housing Impact Trust Fund.
- C. Increase appropriations within LAHD Fund 100/43 as follows: Salaries General Account 001010 - \$1,396,268.87 and Leasing Account 006030 - \$290,934.58
- IV. APPROVE the AHLF “Rental Preservation Program - Summary of Guidelines” included as Attachment A of this report; and,
- V. 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.

**SUMMARY OF AHLF OC AMENDMENTS TO THE OCTOBER 6, 2022 REPORT DISCUSSED AT THE OCTOBER 12, 2022 MEETING:**

1. The OC requested that the Linkage Fee Expenditure Plan salary breakdown be provided, that amounts already appropriated through the budget process be highlighted; and that reductions in salaries from other funding sources appropriated through the budget process be included as a recommendation. LAHD provided the salary breakdown and amounts appropriated, but will submit additional Controllers Instructions via a subsequent FSR for the requested reductions.
2. The OC requested that the report to Council add a table with expenditures and allocations as of June 30, 2022, to assist in demonstrating how progress is being made in the programs. The requested table is below:

	<b>Commitments</b>	<b>Appropriations</b>	<b>Committed</b>	<b>Expenditures</b>	<b>Balance</b>
<b>City Admin.</b>	HCID/LAHD Admin & Related Costs	\$ 4,546,185.22		\$ (2,686,244.35)	\$ 1,859,940.87
	City Atty Admin	\$ 444,690.00		\$ (106,927.23)	\$ 337,762.77
	ITA	\$ 720.00		\$ (720.00)	\$ -
	GSD	\$ 5,260.00		\$ (5,260.00)	\$ -
	CAO	\$ 72,485.00		\$ -	\$ 72,485.00
	Personnel	\$ 178,661.00		\$ -	\$ 178,661.00
	HIMS Replacement	\$ 420,000.00	\$ 420,000.00	\$ -	\$ 420,000.00
	Inclusionary Zoning Study	\$ 100,000.00		\$ (74,032.00)	\$ 25,968.00
	Admin Reserve	\$ 2,943,530.49		\$ -	\$ 2,943,530.49
<b>Rental</b>	Rental New Construction	\$21,600,372.07	\$ 14,240,000.00	\$ -	\$21,600,372.07
	Rental Preservation	\$ 6,976,007.21		\$ -	\$ 6,976,007.21
<b>Homeownership</b>	Homeownership MIPA	\$ 3,011,572.36		\$ (2,430,810.00)	\$ 580,762.36
	Homeownership LIPA	\$ 644,211.75		\$ -	\$ 644,211.75
<b>Innovative Housing</b>	Innovative Housing Demo ADU	\$ 1,492,261.07		\$ -	\$ 1,492,261.07
	<b>Totals:</b>	<b>\$42,435,956.17</b>		<b>\$ (5,303,993.58)</b>	<b>\$37,131,962.59</b>

Note that the balance of uncommitted Rental New Construction funds appropriated from previous Expenditure Plans will be committed via the 2022 Notice of Funding Availability (NOFA).

3. The OC requested information on whether the AHLF funds are held in an interest-bearing account, and, if so, how that Interest Income is allocated. LAHD is confirming that the AHLF funds are held in an interest-bearing account. As of June 30, 2022, a total of \$1,166,946.43 has been collected from Interest Income, which is combined with Program Income and allocated according to the approved tier system.
4. The OC asked about the difference between the \$4.8 million proposed for administrative costs and the \$4.5 million that should be allocated for admin (15% of the total). LAHD confirms that the \$4.8 million is inclusive of program staff costs, which, under this grant, may cover staffing costs outside of the admin category.

**OTHER CHANGES TO OCTOBER 6, 2022 REPORT - REVISIONS TO THE AHLF REVENUE ANALYSIS**

The October 6, 2022 Report states:

- Linkage fees from multifamily developments in Council Districts 5 and 11 comprised 19% of total multifamily projects subject to the Linkage Fee and 66% of total revenue. Meanwhile, less active areas of the city such as Council Districts 7, 8, 14, and 15 constitute less than 10% of all projects subject to the Linkage Fee since June 2022.

The language is amended as follows:

- Linkage fees from multifamily developments in Council Districts 5 and 11 comprised 19% of total multifamily projects subject to the Linkage Fee and 66% of total revenue.
- Council districts 1, 6, 12 – which generated the lowest amounts of total linkage fee revenue – constitute approximately 8% of all projects subject to the Linkage Fee since June 2022.



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Ann Sewill  
General Manager, LAHD  
Chair, Affordable Housing Linkage Fee Oversight Committee

**ATTACHMENTS:**

Resolution of the Linkage Fee Guidelines

October 6, 2022 LAHD Linkage Fee Report presented to AHLF OC on October 12, 2022

# RESOLUTION

**WHEREAS**, the Affordable Housing Linkage Fee tier allocation system provides clear guidance on how the Affordable Housing Linkage Fee funds shall be spent as adopted by Council action through a resolution passed on July 1, 2021 under Council File Number 17-0274; and

**WHEREAS**, Ordinance No. 185341 governs the City of Los Angeles Housing Impact Trust Fund generated through revenues collected under the Affordable Housing Linkage Fee (AHLF) Program, which can only be expended according to guidelines in the tier allocation system, and any amendments to the guidelines must be approved by Council by resolution; and

**WHEREAS**, Council approved a FY 2022-2023 budget on June 2, 2022 that provided direction to the Los Angeles Housing Department to utilize 1) \$2 million for an Accessory Dwelling Unit (ADU) program that would provide funding for low income Angelenos to build or upgrade an accessory dwelling unit; and, 2) \$5 million to support the expansion of the existing Moderate-Income Purchase Assistance (MIPA) Program which provides loans to first-time homebuyers, both from the Housing Impact Trust Fund; and.

**WHEREAS**, the Los Angeles Housing Department collected a total of \$3.4 million in receipts during Quarter Four of FY 2020-2021 and \$34.1 Million in receipts during FY 2021-2022, for a total of \$37.5 million. Per the Council-adopted budget resolution, \$7 Million of that total shall be set aside for the ADU and Homeownership MIPA programs and deducted from the total receipts collected under the Affordable Housing Linkage Fee Program, leaving \$30.5 million to be allocated pursuant to the adopted tier allocation system for the FY 2021-2022 AHLF Expenditure Plan.

AHLF Funding Tiers	AHLF Funding Tier Amount Level	City Administration	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
Tier 1	Percentage Allocation for Tier 1 Revenue up to \$10M	15.0%	60.0%	20.0%	5.0%	0.0%	0.0%	0.0%
Tier 2	Percentage Allocation for Tier 2 Revenue above \$10M, up to	15.0%	50.6%	14.3%	12.5%	5.1%	2.5%	0.0%
Tier 3	Percentage Allocation for Tier 3 Revenue above \$50M	15.0%	51.0%	15.0%	10.0%	5.0%	2.0%	2.0%

**NOW, THEREFORE, BE IT RESOLVED**, that City Council adopt the reallocation, outside of the tier allocation system, of \$7 Million from the Affordable Housing Linkage Fee account, to an ADU program and expansion of the MIPA program using Housing Impact Trust Fund receipts for FY 2021-2022.

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Eric Garcetti, Mayor

## INTER-DEPARTMENTAL MEMORANDUM

TO: AFFORDABLE HOUSING LINKAGE FEE OVERSIGHT COMMITTEE

FROM: ANN SEWILL, GENERAL MANAGER *Ann Sewill*

DATE: OCTOBER 6, 2022

REGARDING: **APPROVAL OF EXPENDITURE PLAN AND PROGRAM GUIDELINES FOR  
FY 2021-22 AFFORDABLE HOUSING LINKAGE FEE REVENUE**

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, 2022, an adjustment to the Ordinance places a fee on new residential development ranging from \$1.16 to \$20.89 per square foot, depending on the market area, and new non-residential developments ranging from \$3.48 to \$5.80 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 for the City. The Ordinance also stipulates various exemptions and deductions based on project characteristics.

This report includes the recommendation to appropriate the Housing Impact Trust Fund (HITF, Fund 59T) receipts collected from April 1, 2021 through June 30, 2022, in the amount of \$37,578,976.94. The tiered allocation system previously approved by the Affordable Housing Linkage Fee Oversight Committee, the City Council, and the Mayor is intended to distribute AHLF funding allocations to support the following categories: Rental New Construction, Rental Preservation, Homeownership for both Moderate Income (MIPA) and Low Income (LIPA) households, Innovative Housing Demo, and Innovative Housing Accessory Dwelling Unit (ADU) Demo.

## RECOMMENDATIONS

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

- I. ADOPT the AHLF Resolution, which effectuates the set-aside of \$7 million outside of the adopted tier system for the FY 2021-22 Expenditure Plan;
- II. APPROVE the Affordable Housing Linkage Fee Expenditure Plan for the balance of

revenue collected during quarter four of FY 2020-21 and all revenue collected during FY 2021-22;

FY2020-21 Receipts: \$ 3,445,664.83 Revenue as of April 1, 2021 - June 30, 2021 - To be approved via this Report

AHLF Funding Tiers	AHLF Funding Tier Amount Level	AHLF Funds to Be Allocated	City Admin.	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
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	Revenue up to \$10M		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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<b>Total Tier Allocations:</b>		<b>\$ 3,445,664.83</b>	<b>\$ 516,849.72</b>	<b>\$ 1,743,506.40</b>	<b>\$ 492,730.07</b>	<b>\$ 430,708.10</b>	<b>\$ 175,728.91</b>	<b>\$ 86,141.62</b>	<b>\$ -</b>

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The totals are summarized as follows:

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<b>Total Tier Allocations:</b>		<b>\$ 30,578,976.94</b>	<b>\$ 4,586,846.54</b>	<b>\$ 16,412,962.33</b>	<b>\$ 4,942,793.70</b>	<b>\$ 3,072,372.12</b>	<b>\$ 1,049,527.82</b>	<b>\$ 514,474.42</b>	<b>\$ -</b>

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- A. Establish new accounts and appropriate funds within Fund 59T-City of LA Housing Impact Trust Fund as follows:

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43W904	Admin Reserve Account	\$1,069,528.75
<i>Subtotal:</i>		\$4,820,994.79
<b>Total:</b>		\$35,205,876.94

\* \$2,373,100 was set up by the FY2023 budget process, totaling \$37,578,976.94. MIPA includes \$5M set aside

- B. Transfer \$315,790.07 from 43R727–Innovative Housing Demo-ADU to 43WC47-Innovative Housing Demo-Others within Fund 59T-City of LA Housing Impact Trust Fund.
  - C. Increase appropriations within LAHD Fund 100/43 as follows: Salaries General Account 001010 - \$1,396,268.87 and Leasing Account 006030 - \$290,934.58
- IV. APPROVE the AHLF “Rental Preservation Program - Summary of Guidelines” included as Attachment A of this report; and,
- V. 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**

AHLF Recommendations and Guidelines

If approved, the recommendations in this report will allocate AHLF revenue collected during quarter four of FY 2020-21 and during FY 2021-22; and will memorialize the summary of guidelines for the Rental Preservation program.

It should be noted that the City Council, via the annual budget process (C.F. No. 22-0060) instructed LAHD to include recommendations for Linkage Fee appropriations in the amounts of 1) \$2 million for an Accessory Dwelling Unit program that would provide funding for low-income Angelenos to build or upgrade an accessory dwelling unit; and, 2) \$5 million to support the expansion of the existing Moderate-Income Purchase Assistance (MIPA) Program, which provides loans to first-time homebuyers. The total one-time set-aside of \$7 million has been subtracted from the total receipts collected for FY 21-22, reducing the total amount of funds allocated using the adopted Tier Allocation system.

On April 17, 2019, City Council approved the release of \$1,176,471 in Linkage Fee funds upon Council’s approval of the ADU Program’s parameters and guidelines, in order to expedite the provision of housing opportunities for the homeless. This amount, in addition to the \$2 million set-aside, will be available upon the approval of the ADU Program. The development of an ADU

finance program will be addressed via report backs under C.F. No. 21-0541 and C.F. No. 22-0040.

### AHLF Revenue Analysis

Through June 30, 2022, the AHLF has generated approximately \$73,255,280 million in revenue. The data revenue table and citywide map in the appendix provides a detailed overview of the revenue by building type, council district, and market type, based on an analysis of revenues from March 1, 2021 through June 30, 2022. Highlights include:

- The majority of the AHLF revenue collected continues to be attributed to building permits for new one or two family dwellings in High Market areas. Overall, one or two family dwellings constitute 88% of all projects subject to the Linkage Fee, and slightly less than half (45%) of all revenue collected.
- Commercial projects make up the smallest percentage of total Linkage Fee projects. Only 5% of the total projects (75) are commercial developments and 7% (108) are multifamily developments. However, commercial projects make up 38% of all revenue collected while multifamily developments make up 17% of all revenue collected. Of all three project types, commercial projects were largely located in Medium Market Areas (53%) while one or two family dwellings were largely located in low market areas (42%).

LAHD's analysis also included an examination of specific Linkage Fee implementation and revenue activity by Council District:

- Council Districts 5 and 11 continue to generate the largest AHLF revenue amount in the city, predominantly located in High Residential Market Areas, and representing around 52% of the total AHLF revenue amount combined. One or two family dwellings account for the majority of revenue collected in these council districts (collectively 23% of total revenue). Council Districts 1, 6, and 12, generated the lowest amount of AHLF revenue overall (1.8%, 1.7%, and 1.5% respectively).
- The average linkage fee revenue per project was \$30,320.68 across all three project types. CD 5 had the greatest average revenue per project (\$116,025.55) while CD 8 had the lowest average revenue per project (\$6,230.59). However, CD 8 had the largest number of total projects (13%) subject to the linkage fee.
- The majority of one or two family home and multifamily construction is occurring in Low and Medium Market Areas (i.e., CDs 6, 7, 8, 9, 12, 14, 15), but these projects yield lower revenue than projects in High Market Areas – a larger number of which are non-residential projects. This is due to discrepancies in impact fees across project types. The impact fee is \$9.28, \$11.61, \$13.93, and \$20.89 per square foot in Low, Medium, Medium-High, and High Market areas.
- Linkage fees from multifamily developments in Council Districts 5 and 11 comprised 19% of total multifamily projects subject to the Linkage Fee and 66% of total revenue. Meanwhile, less active areas of the city such as Council Districts 7, 8, 14, and 15 constitute less than 10% of all projects subject to the Linkage Fee since June 2022.

### Previously Approved Program Guidelines

AHLF revenue is allocated primarily to expand housing production via construction of new rental

units (including those with innovative elements), in addition to funding preservation and homeownership programs. The Rental New Construction program, Innovative Housing Demo, Homeownership–Moderate Income Purchase Assistance, and Homeownership–Low Income Purchase Assistance guidelines for expenditure of Linkage Fee funds were previously approved by the City Council.

### Preservation Program Guidelines

The preservation of affordable housing is a crucial strategy to prevent the displacement of low-income families throughout the City. In devising a preservation strategy, LAHD employed consultants and relied on research teams from both UCLA and USC to examine best practices from cities across the country, including the cities of San Francisco, Chicago and Seattle. In addition, staff regularly participated in a stakeholder’s working group convened by Enterprise Community Partners.

The resulting recommendations focus on affordable housing projects with regulatory agreements that are scheduled to expire within five years or are at risk due to physical condition or financial infeasibility.

Priority will be given to projects where tenants have received notice that affordability restrictions will no longer apply in three years. Scoring criteria will include the average restricted affordability levels relative to market rents, the ratio of requested subsidy to maximum funding award and remaining term of the longest regulatory agreement on the property. A summary of the guidelines for the Rental Preservation program is included as Attachment A of this report. The preservation program will be implemented through a Notice of Funding Availability (NOFA) that will allocate Linkage Fee and funding from other sources. A stakeholder engagement process, similar to that of other LAHD multifamily rental housing programs, will be conducted prior to the release of the NOFA. The approval process will coincide with a report back to the City Council (C.F. No. 21-1216) on the status of current preservation projects, the state of at-risk properties within the City, and the proposed program guidelines, during November 2022.

### Use of Administrative Allocation

The approved AHLF resolution allows up to 15% of the AHLF receipts to be used to cover eligible administrative costs as approved within the City’s budget. This report includes recommendations to appropriate funds to support this fiscal year’s expenses related to staffing, related, and contractual expenses; and to appropriate the balance of the administrative allocation in a reserve fund account for future fiscal year needs.

### AHLF Expenditures to Date

In addition to the \$37.5 million to be allocated in this set of actions, the Council and Mayor have previously allocated \$39.1 million in AHLF in the following categories:

- Rental New Construction: \$21,600,372.07
- Rental Preservation: \$6,976,007.21
- Homeownership MIPA: \$3,011,572.36

- Homeownership LIPA: \$644,211.75
- Innovation / ADU: \$1,492,261.07
- Administration: \$5,431,577.44

Approximately \$14.2 million have been committed to 8 Rental New Construction projects, which when built will result in 870 affordable units, including 305 supportive housing units.

All AHLF funds for the Homeownership MIPA Program have been spent or committed. Approximately \$2,355,523 has funded 34 moderate-income purchase assistance loans and assisted 73 household members as of September 28, 2022. The remainder of the funds are committed for MIPA Program transactions currently in escrow.

Rental Preservation, Homeownership LIPA, and Innovation funds are accruing to ensure they can be maximized appropriately and make meaningful investments in their respective program areas.

#### ATTACHMENTS:

Attachment A - Rental Preservation Program - Summary of Guidelines

Appendices - Data Revenue Table & Map

# RESOLUTION

**WHEREAS**, the Affordable Housing Linkage Fee tier allocation system provides clear guidance on how the Affordable Housing Linkage Fee funds shall be spent as adopted by Council action through a resolution passed on July 1, 2021 under Council File Number 17-0274; and

**WHEREAS**, Ordinance No. 185341 governs the City of Los Angeles Housing Impact Trust Fund generated through revenues collected under the Affordable Housing Linkage Fee (AHLF) Program, which can only be expended according to guidelines in the tier allocation system, and any amendments to the guidelines must be approved by Council by resolution; and

**WHEREAS**, Council approved a FY 2022-2023 budget on June 2, 2022 that provided direction to the Los Angeles Housing Department to utilize 1) \$2 million for an Accessory Dwelling Unit (ADU) program that would provide funding for low income Angelenos to build or upgrade an accessory dwelling unit; and, 2) \$5 million to support the expansion of the existing Moderate-Income Purchase Assistance (MIPA) Program which provides loans to first-time homebuyers, both from the Housing Impact Trust Fund; and.

**WHEREAS**, the Los Angeles Housing Department collected a total of \$3.4 million in receipts during Quarter Four of FY 2020-2021 and \$34.1 Million in receipts during FY 2021-2022, for a total of \$37.5 million. Per the Council-adopted budget resolution, \$7 Million of that total shall be set aside for the ADU and Homeownership MIPA programs and deducted from the total receipts collected under the Affordable Housing Linkage Fee Program, leaving \$30.5 million to be allocated pursuant to the adopted tier allocation system for the FY 2021-2022 AHLF Expenditure Plan.

AHLF Funding Tiers	AHLF Funding Tier Amount Level	City Administration	Rental - New Construction	Rental - Preservation	Home Ownership (MIPA)	Home Ownership (LIPA)	Innovative Housing Demo	Innovative Housing Demo ADU
Tier 1	Percentage Allocation for Tier 1 Revenue up to \$10M	15.0%	60.0%	20.0%	5.0%	0.0%	0.0%	0.0%
Tier 2	Percentage Allocation for Tier 2 Revenue above \$10M, up to	15.0%	50.6%	14.3%	12.5%	5.1%	2.5%	0.0%
Tier 3	Percentage Allocation for Tier 3 Revenue above \$50M	15.0%	51.0%	15.0%	10.0%	5.0%	2.0%	2.0%

**NOW, THEREFORE, BE IT RESOLVED**, that City Council adopt the reallocation, outside of the tier allocation system, of \$7 Million from the Affordable Housing Linkage Fee account, to an ADU program and expansion of the MIPA program using Housing Impact Trust Fund receipts for FY 2021-2022.

## ATTACHMENT A

Ann Sewill, General Manager  
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager  
Anna E. Ortega, Assistant General Manager  
Luz C. Santiago, Assistant General Manager

City of Los Angeles



Eric Garcetti, Mayor

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### RENTAL PRESERVATION PROGRAM – SUMMARY OF GUIDELINES

LAHD is excited to announce the creation of a program that we believe will be very helpful to the legacy projects in its portfolio. In order to maintain the supply and quality of the affordable rental housing the Department is providing financial incentives to:

- Prevent potential conversion of affordable housing to market rate housing;
- Extend the affordability periods of projects that are nearing the end of their Regulatory Agreement terms;
- Rehabilitate projects such as Residential Hotels and Single Room Occupancy (SRO) projects occupied by tenants with very low incomes, paying very low rents.

The Mayor and City Council finds this to be an urgent need because of the City's affordable housing crisis. As affordable housing converts to market rate rents, the tenants are likely to receive steep rent increases which they would not be able to afford, which would lead to eviction of tenants. Displaced tenants may be unable to obtain replacement affordable housing, which could exacerbate the City's homelessness crisis.

Under the new LAHD Preservation Program, the Department may provide a loan to reposition, rehabilitate and recapitalize properties as necessary to extend the long-term affordability restrictions for projects in its portfolio. As part of the transaction, the Department will amend and reinstate unpaid matured loans, if applicable, to assure financial feasibility. To facilitate the needed rehabilitation, the Department may allow the subordination of the Department loan(s) to new indebtedness.

### AVAILABLE FUNDS AND SET ASIDES

Funds will be allocated as follows:

- 85% set aside for At-Risk projects that expire within five years
- 15% set aside for At-Risk projects due to financial or physical infeasibility

### REQUIREMENTS FOR ALL PROJECTS

- Address all critical and immediate repairs, and replacements, listed as required within 5 years of the date on the third party Property Condition Assessment (PCA);

- Projects are subject to the requirements of LAHD's Accessible Housing Program. <https://housing.lacity.org/housing/achp-compliance-website>
- Upon construction completion, projects must demonstrate Fiscal Integrity - that the total operating income will be sufficient to:
  - pay all current operating expenses;
  - pay all current debt service (excluding deferred interest);
  - fully fund all reserve accounts (other than the operating reserve account);
  - pay other permitted extraordinary costs.
- Extend affordability up to 55 years, depending on the type of incentive.

## **FINANCING REVIEW**

In demonstrating Fiscal Integrity as described above, underwriting review will be conducted in accordance with the LAHD Affordable Housing Managed Pipeline Guidelines.

<https://housing.lacity.org/wp-content/uploads/2022/04/Draft-2022-AHMP-Proposed-Regulations-v4.pdf>

## **FUNDING PRIORITIES**

Below describes the three funding priorities and their available funding amounts, threshold requirements and scoring criteria.

### **At-Risk Projects (expired or will expire within 5 years)**

#### **Available Funding Loan Amounts**

- 85% will be set aside for At-Risk projects;
- Maximum Loan Amount of \$14 million and \$140,000 per unit;
- Three (3) percent simple interest on unpaid principal balance;
- Loan term up to 30 years;
- Payments are to be made from 50% residual receipts, unpaid interest is due with principal at the end of the loan term;
- Term of commitment is 24 months;
- The maximum allowable administrative fee shall be the lesser of 10% of the new LAHD loan or \$750,000, unless another new public source is used to finance it.

### **Priority Projects (3-year state notice received)**

Priority will be given to projects where tenants have received valid notice required by state law (Government Code Section 65963.10 subdivision (e) (2)), that in **three years**, affordability restrictions may no longer apply.

## Threshold Requirements

- Minimum Base-year restricted rents must ensure a minimum advantage compared with current rents for comparable units in the rental submarket. The required minimum market advantage is 10%.
- Minimum extended term of affordability shall be 20 years.

## Scoring Criteria

### 1. Average affordability levels to market rents as a measure of the rental submarket strength.

LAHD will use comparable market rents from the Rent Comp Study or Market Study as the basis for comparison

Half (1/2) point for every percentage that restricted rents are below market rents  
**Maximum Points: Unlimited**

### 2. Extended term of affordability beyond 20 years.

Seven (7) points shall be awarded for each additional five-year extension.  
**Maximum Points: 35**

## All Other At-Risk Projects (no state notice received)

## Threshold Requirements

- All other At-Risk Projects must have affordability restrictions(s) which have expired or will expire within five years but where tenants have not received a three-year notice;
- Minimum extended term of affordability shall be 55 years.

## Scoring Criteria

### 1. Average affordability levels to market rents as a measure of the rental submarket strength.

LAHD will use comparable market rents from the Rent Comparability Study or Market Study as the basis for comparison

Half (1/2) point for every percentage that restricted rents are below market rents  
**Maximum Points: Unlimited**

### 2. Ratio of Requested Subsidy to Maximum Award

One (1) point for every 1% below LAHD new subsidy limits.  
**Maximum Points: 30**

### 3. Remaining Term of longest Regulatory Agreement

Points awarded for number of months remaining in existing Regulatory Agreement.

Agreement expires in:  
≤ 12 months – 10 points  
≤ 24 months – 8 points  
≤ 36 months – 6 points  
≤ 48 months – 4 points  
≤ 60 months – 2 points  
**Maximum Points:**

**10**

### At-Risk Projects due to Physical Condition or Financial Infeasibility

#### Available Funding Loan Amounts/Terms

- 15% will be set aside for projects that are at risk due to physical condition or financial infeasibility;
- Maximum loan amount of \$4.1 million per project and \$100,000 per unit;
- Loan term up to 55 years;
- Three (3) percent simple interest on unpaid principal balance;
- Payments are to be made from 50% residual receipts, unpaid interest is due with principal at the end of the loan term;
- Maximum term of commitment is 24 months.
- The maximum allowable administrative fee shall be 10% of the new LAHD loan, unless another new public source is used to finance it.

#### Eligible Projects and Applicants

- To be eligible, the project can be moderate or substantial rehabilitation and consist of efficiency units that lack complete private bath and kitchen such as Residential Hotels and Single Room Occupancy (SRO) projects;
- An eligible applicant must be the owner or affiliate of the owner;
- Applicants may not be in breach or default of the any LAHD loan that cannot be cured but for the new LAHD loan.

#### Threshold Requirements

- Project needs physical and/or financial restructuring within 5 years to ensure project viability
- An SRO building is defined as a building that contains five or more single-room occupancy units and in which at least 90 percent of the units are SRO units.

## Scoring Criteria

### 1. Average affordability levels to market rents as a measure of the rental submarket strength.

LAHD will use comparable market rents from a third party Rent Comparability Study or Market Study as the basis for comparison

Half (1/2) point for every percentage that restricted rents are below market rents

**Maximum Points: Unlimited**

### 2. Ratio of Requested Subsidy to Maximum Award

One (1) point for every 1% below LAHD new subsidy limits.

**Maximum Points: 30**

### 3. Remaining Term of longest Regulatory Agreement

Points awarded for number of months remaining in existing Regulatory Agreement.

Agreement expires in:

≤ 12 months – 10 points

≤ 24 months – 8 points

≤ 36 months – 6 points

≤ 48 months – 4 points

≤ 60 months – 2 points

**Maximum Points: 10**

## Appendices: Data Revenue Table & Map

### *Appendix A: Data Revenue Table*

<b>Table 1: Summary of Project Types Subject to the Linkage Fee</b>								
<b>(Permits Issued between 3/1/21 and 6/30/22)</b>								
Project Type	Number of Total Projects	% of Total Projects	Total Revenue (\$)	% of Total Revenue	Average Revenue (\$)	Total Area (SF)	% of Total Area	Average Area (SF)
1 or 2 Family Dwellings	1,390	88%	21,527,796	45%	15,487	4,094,007	50%	2,948
Multifamily	108	7%	7,984,657	17%	73,932	869,859	11%	8,054
Commercial	175	5%	18,181,969	38%	242,426	3,254,223	40%	43,390
Total/Average	1,573	100%	47,694,422	100%	30,321	8,218,089	100%	5,228

