

Communication from Public

Name: Southern California Association of Nonprofit Housing

Date Submitted: 04/09/2021 02:50 PM

Council File No: 21-0183

Comments for Public Posting: April 1, 2021 Los Angeles City Councilmember Gil Cedillo 200 N. Spring Street, Suite 460 Los Angeles, CA 90012 Re: SCANPH Support for Motion to Freeze Rents in Expiring Affordable Units

Dear Councilmember Cedillo: The Southern California Association of Nonprofit Housing (SCANPH), representing dozens of affordable housing developers throughout the City of Los Angeles, wishes to comment on a motion filed by your office on February 10, 2021 to direct the Housing and Community Investment Department to develop recommendations to freeze rents in residential units with expired or soon to expire affordability covenants. SCANPH recognizes that preserving existing affordable housing plays a significant role in preventing homelessness and displacement. With amendments to support providers of affordable housing and their unique financial obligations, this motion could be an important piece of our response to the current housing crisis, which was exacerbated by COVID-19. This motion could enhance tenant protections during a time of true crisis. Los Angeles' affordable housing stock provides a small respite from a severely unaffordable housing market, in which some 550,000 households county-wide are classified as severely rent burdened. Unfortunately, many of these affordable units are protected by covenants which are set to expire soon. This means that even as SCANPH's membership works to produce more affordable housing in our region, the need for more affordable units persists. A recent report from the Housing and Community Investment Department contended that nearly 12,000 rent-restricted units city-wide are at risk of expiring in the next five years. The Department also estimated that 71% of these at-risk units are owned by for-profit entities, which frequently convert units to market-rate after covenants expire, displacing tenants from their communities, or into homelessness. When affordability covenants expire, rents can increase as much as 200%, which essentially functions as an eviction notice for most low-income tenants. During this time of unprecedented economic precarity caused by the coronavirus pandemic, it is critical that the City prevent this displacement by any means at its disposal. SCANPH commends your office for taking steps to freeze rents at such units, which could save lives during this public health crisis and prevent thousands of people from falling into homelessness.

As the foremost representative of affordable housing developers in the region of Southern California, SCANPH also encourages City Council to consider the complex financial obligations of nonprofit developers and owners of affordable housing. In some cases, nonprofit affordable housing developers raise rents nominally after covenants expire while resyndicating projects to rehabilitate buildings and apply for new Low Income Housing Tax Credits. These changes help developers make payments on loans and operating costs, which ultimately lengthens the durability of the affordable unit. Because many of our members do not operate with the same income flows as for-profit developers, the relationships between projects for the financial health of their overall portfolio is important to consider. With this in mind, SCANPH recommends City Council and the Housing and Community Investment Department add nuance to the motion in order to enhance tenant protections while maintaining the flexibility affordable housing developers need to maintain their projects. For instance, owners of affordable housing could extend affordability covenants in exchange for debt forgiveness on properties financed by City loans. Other options may include adding specific language to allow flexibility regarding resyndication in any ordinance that may follow this motion's passage. We look forward to the reports brought back to council by the Housing and Community Investment Department, and hope that this motion will eventually make a material difference for tenants in affordable units throughout the City. We commend your office for taking important steps to protect these homes during this unprecedented crisis. Sincerely, Alan Greenlee
Executive Director Southern California Association of Nonprofit Housing (SCANPH) Cc: Mayor Eric Garcetti Councilmember Mark Ridley-Thomas Councilmember Paul Krekorian Councilmember Bob Blumenfield Councilmember Nithya Raman Councilmember Paul Koretz Councilmember Nury Martinez Councilmember Monica Rodriguez Councilmember Marqueece Harris-Dawson Councilmember Curren D. Price, Jr. Councilmember Mike Bonin Councilmember John Lee Councilmember Mitch O'Farrell Councilmember Kevin de León Councilmember Joe Buscaino Housing and Community Investment Department

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April 1, 2021

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200 N. Spring Street, Suite 460
Los Angeles, CA 90012

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Alan Greenlee

Executive Director

Southern California Association of Nonprofit Housing (SCANPH)

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Mayor Eric Garcetti

Councilmember Mark Ridley-Thomas

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Housing and Community Investment Department