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Honorable Members of the City Council
City of Los Angeles
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LOS ANGELES HOUSING DEPARTMENT (LAHD) REPORT ON LAHD INVESTMENTS IN AFFORDABLE AND SUPPORTIVE HOUSING SINCE 2010 AND THE STATUS OF FUNDED PROJECTS

SUMMARY

In response to direction from the City Council pursuant to Council File (C.F.) No. 26-0025, the General Manager of the Los Angeles Housing Department (LAHD) submits this report on the status of the City's investments in affordable housing and permanent supportive housing (PSH) to the City Council for consideration. Through this transmittal, LAHD recommends annual reporting on affordable housing investments and results across all funding sources received and administered by LAHD. A report from LAHD with an analysis of the status of the older portfolio and resources needed to preserve these units will be provided as a subsequent report.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. ADOPT an annual reporting structure for investments and outcomes of all funding sources received and administered by LAHD;
 - B. NOTE AND FILE the analysis and findings captured in this report;

BACKGROUND

This report highlights the City's investments made in affordable housing and PSH between 2010 and 2025. The report seeks to provide a frame of reference for the types of multifamily rental housing investment the City has made during that time period, the return on those investments, and the sources of financing to support those investments. The 16-year analysis period illustrates critical trends that inform the spending priorities for future rental housing investment, particularly considering that the landscape of available local funding sources has considerably changed since 2010.

Structurally, the report includes information about the data collection process, data limitations, key findings, and the anticipated future of funding and investments for LAHD. The Department recommends production of this report on an annual basis as a vehicle for centralized reporting and analysis to the City Council and Mayor. Currently, the Department issues required reporting, including annual expenditure plans, on each funding source individually. This report differs in that it provides a comprehensive understanding of all locally-administered funding sources, how they leverage against one another, and the resulting outcomes from each funding source in terms of units built.

This Council motion also requested an analysis on the status of the Department's aging portfolio, including an evaluation of the resources needed to preserve those units. This component of the report will be provided to Council and Mayor under separate cover as the investment structure and project timeline, budget and needs differ so greatly from the structure of new construction investments.

Affordable and Supportive Rental Housing Funding Sources Administered by LAHD from 2010-2026

LAHD is responsible for administering a range of local, state, and federal capital funding sources that support the construction of affordable housing and PSH. Table 1, below, shows nine (9) major capital funding sources that either currently provide, or have historically provided, development capital to affordable housing projects located within the City. For the purposes of this analysis, LAHD focused primarily on tracking these investments. Beyond these primary sources, one-off funding sources (i.e., grants and/or short term public programs) have also provided funding to projects over the years; however, given the abbreviated nature of those sources, the Department did not include those sources in this analysis. Given the timeline to issue these funding sources, please note that funding received by LAHD in a given year is not typically administered in the same year, as further described in the Development Timeline section of this report.

TABLE 1: City of Los Angeles Capital Funding Sources 2010-2026

Funding Source	Level of Government	Inception Year	Sunset Year	Average Annual Amount Received between 2010-2015	Average Annual Amount Received between 2015-2020	Average Annual Amount Received between 2020-2025
HOME	Federal	1990	Ongoing	\$37,542,050	\$25,625,012.40	\$31,450,413.37
SB2/PLHA ³	State	2019	Ongoing	N/A ¹	N/A ²	\$11,677,523.83
CDBG	Federal	1975	Ongoing	\$4,508,054	\$3,730,307.80	\$5,995,069.75
HOPWA	Federal	1990	Ongoing	\$800,000	\$1,763,849.25	\$1,090,890.67
HHH	City	2016	2025	N/A	\$104,721,574.60	\$104,240,650.00
CRA	State	1951	2012	\$1,349,191	N/A ¹	N/A ¹
Affordable Housing Linkage Fee ³	City	2018	Ongoing	N/A ¹	N/A ²	\$11,301,615.87
ULA ⁴	City	2022	Ongoing	N/A ¹	N/A ¹	\$123,978,807.00
LACAHS ⁵	County	2026	Ongoing	N/A ¹	N/A ¹	\$76,359,005.00

Each funding source carries varied reporting requirements and regulatory frameworks, which has led to a decentralized reporting structure, with no central report that tracks all funding sources and outcomes. The Department receives new allocations from active funding sources annually.

PSH, which is a subset of affordable housing projects, additionally relies on operating subsidies. PSH projects rely on operating subsidies, not only to support deep affordability (often, 30% AMI), but also to pay for supportive services and additional operating costs. LAHD is preparing to bring forward a companion report on the sources, uses, and potential opportunities to reprogram funds for PSH operating subsidies in response to C.F. 25–0721. Table 1, above, shows exclusively capital investments.

Private Activity Bonds

Apart from the City-administered funding sources named above, the City has issued \$3.2 billion dollars (inflation-adjusted to 2024 dollars) in private activity bonds for affordable housing since 2010. Private activity bonds are tax-exempt bonds issued by government agencies on behalf of private entities to finance projects in their jurisdiction, usually for infrastructure or affordable housing. Private activity bonds are distinct from traditional general obligation bonds such as Proposition HHH. Under the general obligation bond arrangement, the City’s revenues serve as collateral for the bonds and the City is responsible for repaying the debt. In contrast, private activity bonds allow private and/or nonprofit developers to take on cheaper private debt, since the income on the bonds’ interest is not taxable, with the City acting only as a conduit issuer or ‘passthrough’ to advance the private debt. Moreover, the obligation to repay the debt falls on the private entity rather than the government agency that issued the bonds. In the case of private activity bonds, the affordable housing project is the collateral for the bond.

The amount of private activity bonds that can be issued in each state over a given year is subject to federal limits, called the volume cap. The California Debt Limit Allocation Committee (CDLAC) oversees the allocation of private activity bonds within the state to ensure that the limited amount of bond financing is used for the state’s highest priorities. Historically, if a project achieves a threshold of raising 50% of its qualified costs through tax-exempt bond capital, this has also automatically qualified the project for the 4% Low Income Housing Tax Credit

¹ Funds not established yet or funds no longer provided to the City.

² Insufficient funds to produce an average for that time period.

³ Combines rental new construction and rental preservation

⁴ Includes only Housing Development Programs across the last 3 years

⁵ Includes only Housing Development Programs for a single year (2025-2026)

(4% LIHTC or 4% credit), although not every project with majority tax-exempt bond financing will necessarily opt for the tax credit. In recent years, the demand for tax-exempt bond capital has far exceeded the state’s volume cap, and the allocation has been highly competitive. However, the US Congress enacted legislation in 2025 lowering the threshold to qualify for the 4% LIHTC from 50% to 25% of eligible costs needing to come from tax-exempt bond financing. This reform has had the effect of making CDLAC allocations less competitive and thereby making tax-exempt bond financing more accessible to affordable housing developers.

Even though the private activity bonds are not City-administered dollars, LAHD includes analytics about private activity bonds in this report because they are a major component of the City’s affordable housing strategy, accounting for slightly over half of the capital funds that the City was able to allocate to affordable housing projects since 2010. Moreover, LAHD records regulatory agreements when it approves bond issuances, requiring developers to provide accessible units and affordable units, promoting multiple key City priorities through the bond program. It should be noted that LAHD tracks the accessibility regulatory agreements for bond-financed projects in the Housing Information Management System (HIMS), but there are other details of bond deals that get tracked off of HIMS. Bringing full bond-financed project tracking into one place is a goal under the new Affordable Housing Information System (AHIS).

Finally, some private activity bond issuances are not leveraged with other City-administered funding sources. In other words, there is a significant number of projects in the City portfolio that have no actual City dollars in the financing; rather, they have only an allocation of private debt that, for tax benefit purposes, had to be overseen and approved by the City. The issuance of tax-exempt bonds has virtually no budget impact on the City, other than the labor costs involved in the issuance.

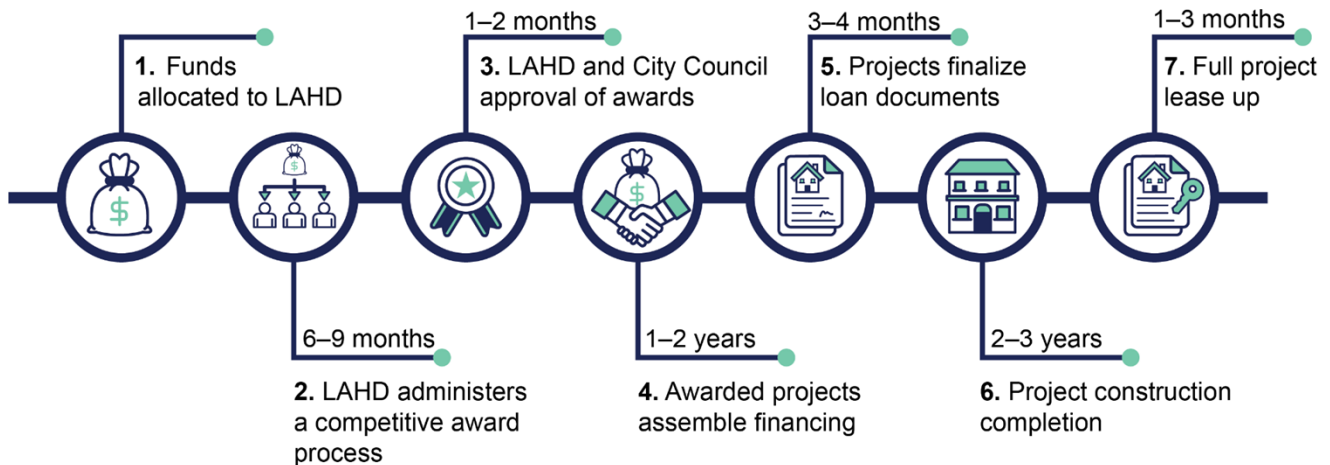
Development Timeline

LAHD tracks data on City funding sources and affordable housing production according to several key milestones. Funds are typically received by the Department from City earnings or by a Local, State or Federal agency, and then allocated via approval of an expenditure plan. Following a competitive award process (Notice of Funding Availability, or NOFA), LAHD makes recommendations to the City Council on project awards. With City Council approval of project awards, projects have a City commitment to issue funding; however, if the project intends to leverage other funds, which almost all LAHD-financed projects do, those must be secured before the City’s loan can be closed. Upon loan closing, City funds are encumbered to that project. Once the project enters construction, it begins to draw down on those funds at specific milestones monitored by the Construction Services and Prevailing Wage Unit within the Technical Services Division of the Housing Development Bureau, until construction is completed, meaning that funds are expended. Following construction completion, the project may begin the process for full lease up.

The timeline shown below provides a general estimate of the time between when funds are allocated to the Department, to the full lease up of a project. On the shorter end, a project will have completed construction and full lease up over the course of three (3) years. On the longer end, that entire process may take up to five (5) years. Therefore, funds are typically not expended in the same year that they are allocated to the Department. For example, a HOME Entitlement grant received by LAHD in 2015 may not have been fully expended until 2018. Step 5 in this process indicates that a project has received financing from the Department in the form of a loan agreement. The year in which a project hits Step 5 in the development timeline is the year in which we suppose it was “financed” for the purposes of evaluating the dataset discussed in this report.

The time needed to complete Step 4 (assemble financing) may change with the implementation of new United to Housing LA (ULA) programs. Projects under the ULA Alternative Models programs and the ULA Operating Assistance program are intended to minimize the number of additional financing sources and simplify the capital stack; therefore, those projects should take significantly less time in Stage 4 of this process, ultimately resulting in a shortened overall timeline for the development of these projects.

Typical Development Timeline



Average time from LAHD funds received to an LAHD-financed unit in-service is between 3–5 years.

METHODOLOGY

Data Framework

The majority of the data presented in this report is derived from the HIMS, which is LAHD’s proprietary database for tracking housing projects and related data. HIMS was built in 2008 to replace a 20-year old legacy system at the time. It is the main data system for the following data:

1. Housing projects with City loans and grants: project types, unit information, target population, supportive and non-supportive housing unit counts, and project development status;
2. City loans and grants data: loan and grant amounts, funding sources, and detailed transactions;
3. Housing affordability covenants and regulatory agreements: housing unit types, area median income (AMI) levels, bedroom types, and affordability periods.

Multifamily housing projects financed exclusively by non-City funds, such as tax exempt bonds and tax credits, are not fully tracked in HIMS and excluded in this report below.

Data provided in this report encompasses the period from 2010 to 2025. Data discussed below is for the following subset of deed-restricted affordable housing projects: those that received City financing in the form of LAHD loans or contributions of City-owned land (“City-Financed”). Projects are grouped based on the year their most recent loan agreement was executed.

While affordable housing projects are often funded by a variety of different sources, this report parses out the following key funding sources:

City Sources*

Non-City Sources
(LAHD only serves as passthrough)

- | | |
|---|---|
| <ol style="list-style-type: none">1. Community Development Block Grant (CDBG)2. Community Reinvestment Act (CRA)3. Prop HHH4. HOME Investment Partnerships Program (HOME)5. Housing Opportunities for Persons with AIDS (HOPWA)6. Land Value (of City-owned land contributed to the project)7. Linkage Fee8. SB29. All other City sources | <ol style="list-style-type: none">10. Bonds |
|---|---|

**This report does not include units financed with ULA or LACAHSAs funds, however, the Department will reflect those in the next report.*

Calculations

Figures discussed in this report are adjusted to 2024 dollars using the Bureau of Labor Statistics’ Chained Consumer Price Index for All Consumers (C-CPI-U). LAHD used the C-CPI-U annual averages as the adjustment factor (as opposed to year-over-year values).

Data Limitations

HIMS has been in production since late 2008 and contains 921 unique multifamily project entries and 991 active residual receipt loans. This database also tracks hundreds of City and external funding sources that together provide the full financing for all housing projects. The HIMS universe includes not just new developments, but also older assets acquired by the City and/or recapitalized by the City to extend the useful life of the projects. The size, age, and complexity of the dataset introduces several challenging considerations when being used to provide a top-level view of the City financial investments in housing:

- When estimating the total funding provided to housing projects, legacy projects and new developments are not an apples-to-apples comparison. Legacy projects may have received funding many times over a period of decades, and new funding to such projects often represents a recapitalization event for major system replacements or repairs. Furthermore, some legacy projects have old loans with the City, but extensions of those loans, since they are re-recorded in HIMS as discrete line items to track the value of the rollover, may show up as new funding even when no new funds are transacted.

- Multiple funding sources are blended into the City’s Affordable Housing Trust Fund (AHTF). Over time, this makes it difficult to track the various funding sources which comprise the AHTF at an aggregate level.
- The City must usually approve the issuance of tax-exempt bonds within its jurisdiction. However, the City is not necessarily the issuer of the bonds that it approves. A large percentage of the private activity bonds approved by the City are issued by outside entities such as the Housing Authority of the City of Los Angeles (HACLA), the California Municipal Finance Authority (CMFA), and the California Housing Finance Agency (CalHFA). HIMS does not track all bond project data since it is partly tracked outside of HIMS. For bond data entered into HIMS, the database does not always track whether the bonds are City or outside issuance.
- The platform tracks whether or not a project is leased up but does not track the percentage of a leased up building while it is in the lease up process. In other words, a project may have received full certification of occupancy, but the status of leasing up that fully completed building is not captured in HIMS – it is tracked outside of HIMS.

KEY FINDINGS

This section of the report presents summary data pulled from HIMS, with key statistics and data visualizations to quantify the scale of the City’s investments in affordable housing over time, providing insight into the types of projects subsidized by the City, changes in project development costs, and the diversity of funding sources that LAHD leverages toward project capital investments.

LAHD is in the process of preparing the second portion of this report under the same C.F. 26-0025 to highlight the City’s aging affordable housing portfolio, and a report on operating gaps and potential sources of additional operating subsidy for the City’s PSH projects, which the Department will respond to under C.F. 25-0721.

Figure 1 shows the total number of units by one of two types: Permanent Supportive Housing and Affordable Housing during the 16 years between 2010-2025. Over the course of the 16-year period, LAHD has funded 17,934 affordable and supportive housing units. Of these, a majority are supportive units (9,862 | 55%) while the rest are affordable units (8,072 | 45%).

Figure 1: Total Affordable and Supportive Units – City-Financed Projects Only (2010-2025)

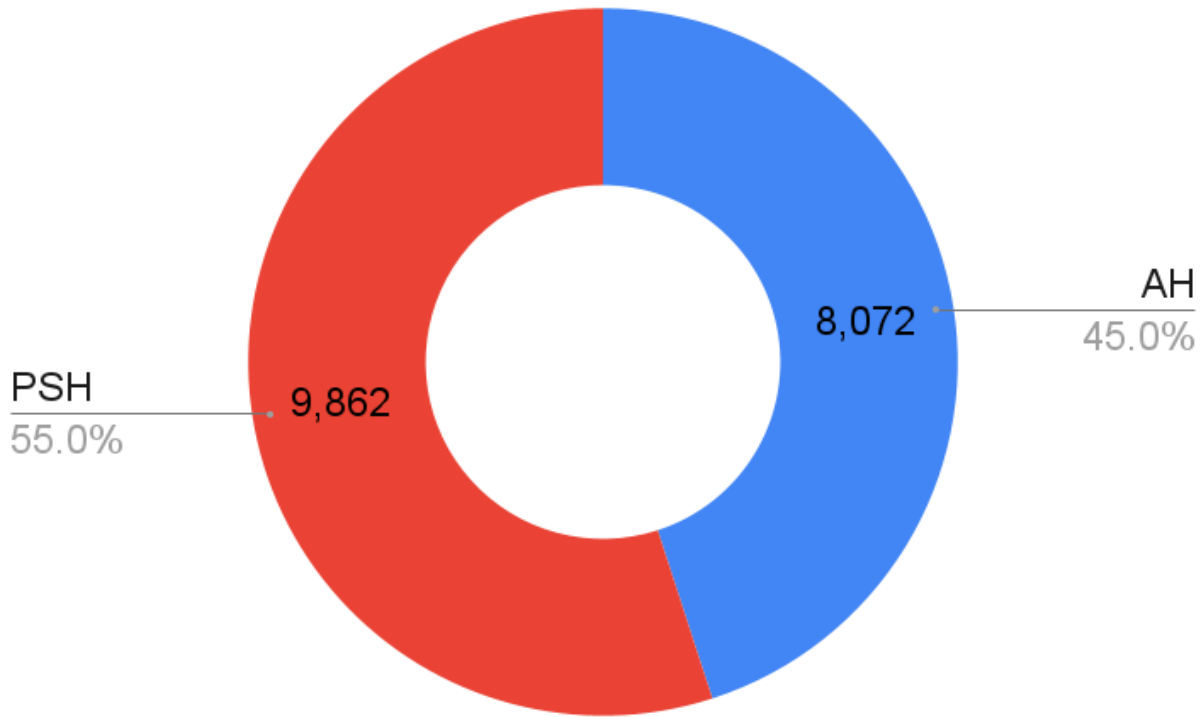


Figure 2 shows a time-series breakdown of how many units LAHD has financed over each year of the 16-year period, as well as timeline markers indicating major funding initiatives undertaken at LAHD. As discussed in the Development Timeline section of this report, there is often a lag between the launch of a funding initiative and the actual financing of units.

The three-year period between 2020-2022 saw the highest annual totals, and accounts for over a quarter of total units financed during the period of analysis. Between 2018 and 2023, following the passage of HHH, the count of PSH units financed began to significantly outpace the count of affordable units financed, particularly in 2021 and 2022. Outside of the 2018-2023 window, non-supportive affordable units generally predominate the unit mix in a given year.

The large increase in PSH development between the 2018-2023 window is a direct result of HHH funding, which is earmarked specifically for PSH development, and was paired with operating subsidy commitments funded by the County Measure H. Additionally, a marked reduction in units between 2023-2024 may be due to the fact that the Department did not release any competitive funding opportunity that would have funded new units. Instead, the Department responded to the needs created in the wake of the pandemic and established gap financing programs to meet rising costs, including the Fast Track Loan Program in 2023 and the ULA Accelerator Plus Program in 2024.

The Department expects to see a major increase in affordable units financed this time next year given the rollout of the inaugural Homes for LA NOFA in FY 2025-2026.

Figure 2: Affordable and Supportive Units Financed Over Time – City-Financed Projects Only (2010-2025)

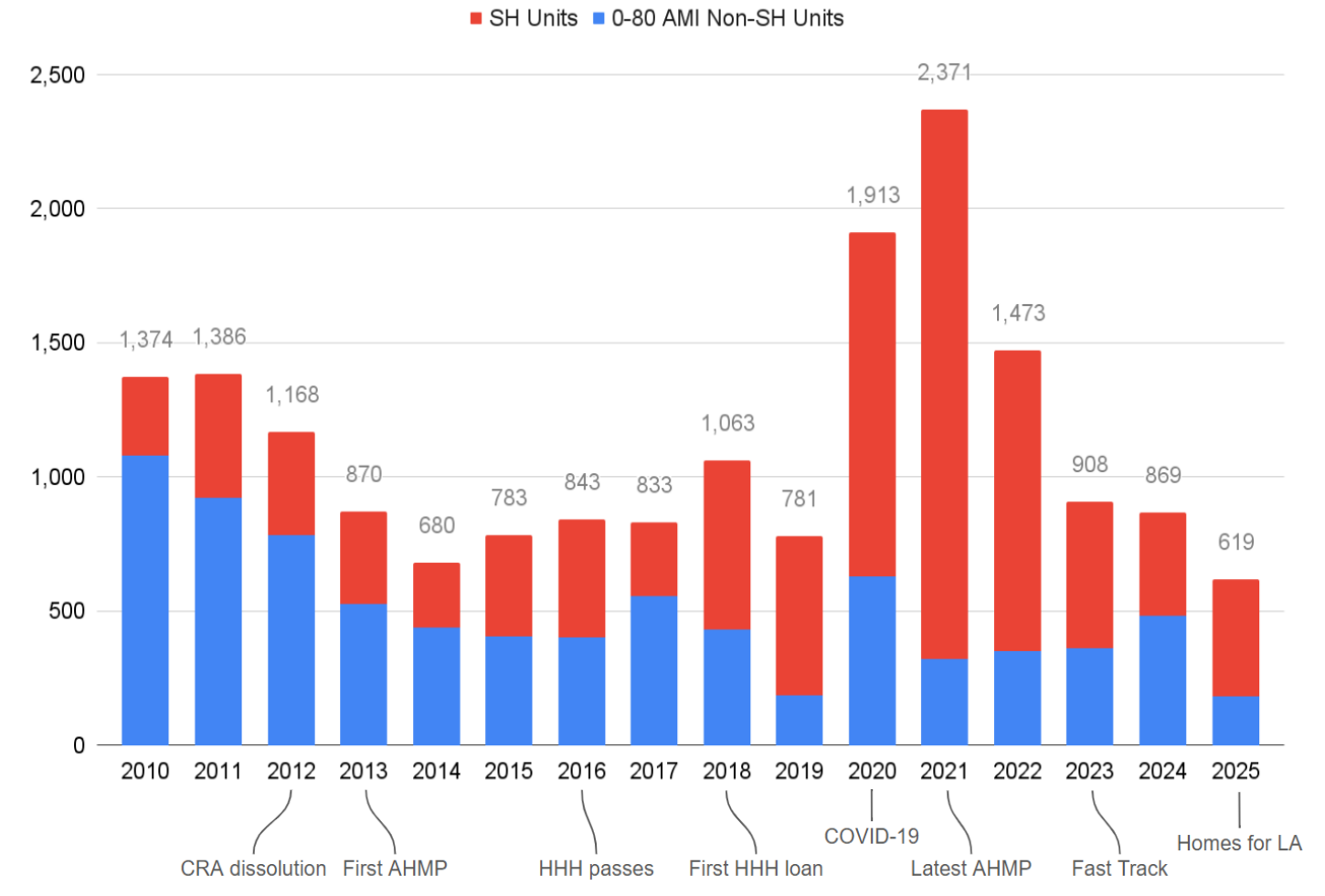


Figure 3 shows project development costs over time. Since 2010, per-unit Total Development Costs (TDC) have increased dramatically, even after adjusting for inflation. In 2010, TDC averaged about \$502,000/unit (in 2024 dollars), but 2025 data show TDC per unit averaging above \$782,000/unit (2024 dollars). This represents a 56% increase in costs over the course of the 16-year period. Across the 16-year period, LAHD funding accounts for around one-fifth of overall project costs, as shown in Figure 4.

In the past, as project costs have increased without commensurate increases in LAHD loan limits, this dynamic led to serious financing gaps and delays in projects. Multi-layer financing and the time involved to assemble the financing costs projects money due to, in some cases, higher interest rates on various sources in the capital stack. As described above, the Department accounted for these challenges by establishing Fast Track and the ULA Accelerator Plus program to plug project financing gaps and help projects reach completion.

Figure 3: TDC Per Unit Over Time – City-Financed Projects Only (2010-2025)

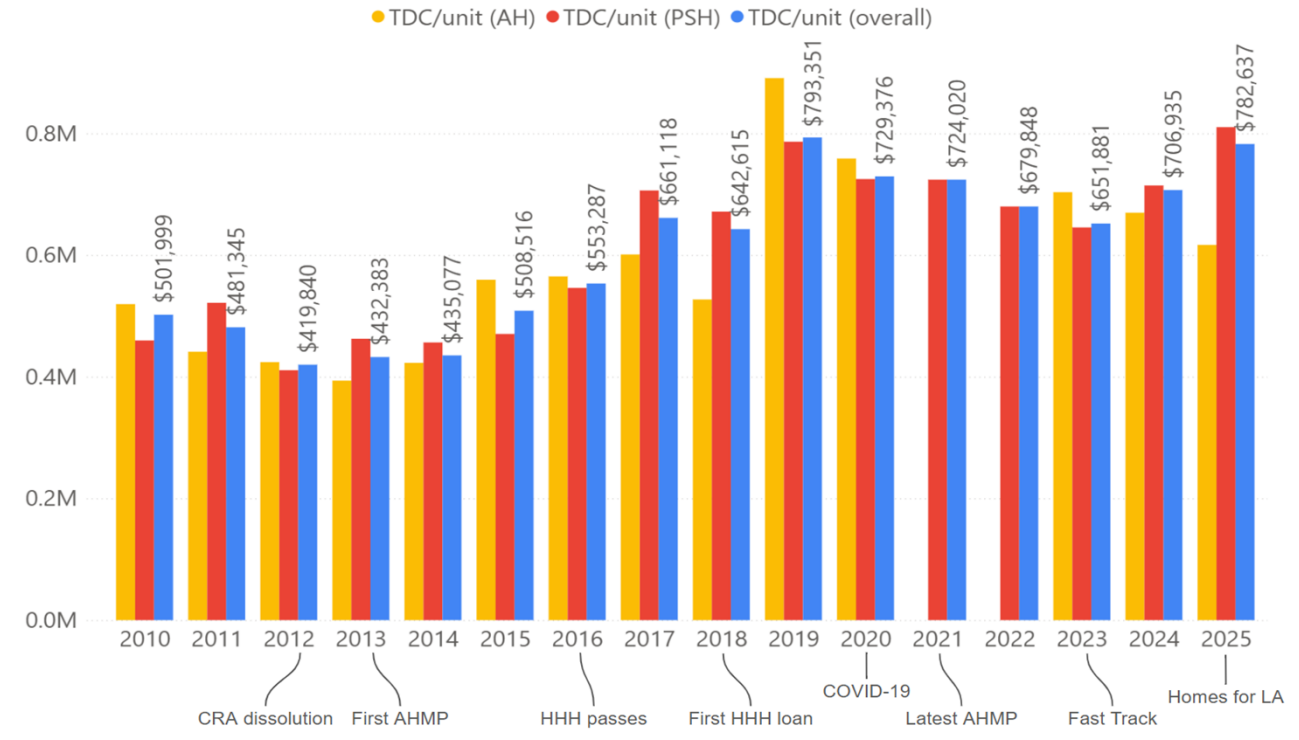


Figure 4 depicts the total average share of the LAHD contribution expressed as a percentage of the total development cost during the study period.

Historically, total City contribution to the cohort of projects funded in a given year remains roughly 20% of the total TDC of that cohort. However, the share of project costs covered by the City is anticipated to increase as projects execute loans awarded via the Homes for LA NOFA. In the Homes for LA NOFA, the Department increased its loan limits to cover between 30% and 80% of each project’s TDC. By committing to covering a larger share of project development costs, the Department aims to expedite the time it takes to complete financing, thereby achieving project cost savings through fewer delays, and quicker development timelines to bring new units online.

Figure 4: City Financing as Share of TDC Over Time – City-Financed Projects Only (2010–2025)

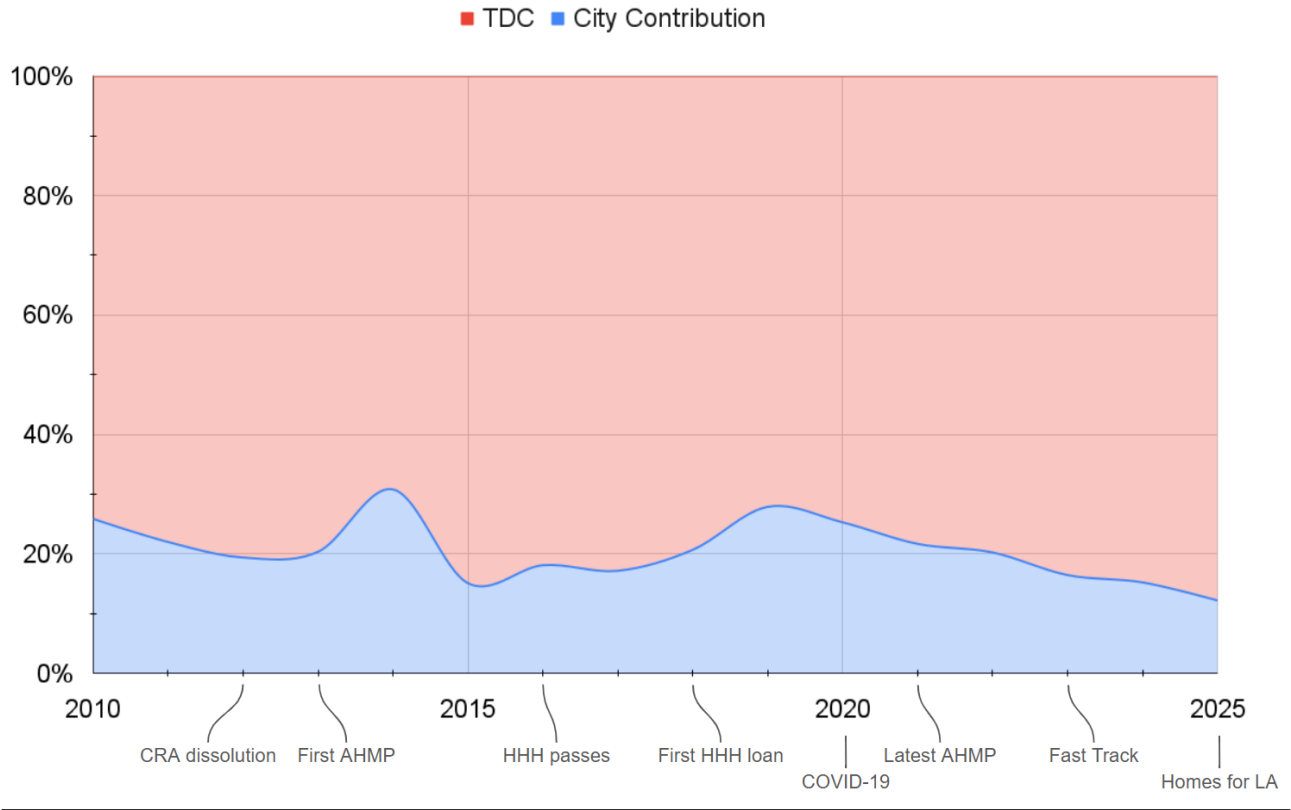


Figure 5 depicts the aggregate investments in affordable housing by funding source expressed as a percentage and dollar amount of total loans issued from 2010 to 2025. LAHD has focused this analysis on nine (9) of its largest funding sources, highlighting the relative prominence of each funding source. Total City spending across these nine (9) City funding sources over the past 16 years is about \$2.4 billion in 2024 dollars.

Included in Figure 5 is “land value.” The land value contributions to a project originate from work generated in the Land Development Unit of the Housing Development Bureau. Via this unit, LAHD works with project sponsors to transfer land from the City through competitive processes so that underutilized public land can be redeveloped as affordable housing. Because the City either sells the land at far below market value, or leases it to the developer for only a nominal fee, LAHD considers this to be a form of public subsidy and records the dollar value of the subsidy in HIMS. Included in the “all else” category stated here in the pie chart below are one-time grants, philanthropic dollars, and other one-time funding sources that have been administered by the Department.

Out of the total City financing provided to housing projects over the 16-year period, HHH was the largest source of funds, accounting for almost half of all funds (\$1.1 billion, or 46%). The second largest source is HOME (\$619.2 million, or 26%). HHH was the dominant source of LAHD funds in the latter half of the period, while HOME was the dominant source in the former half.

Figure 5: Total City Funding Sources Committed to Housing Projects (2010-2025)

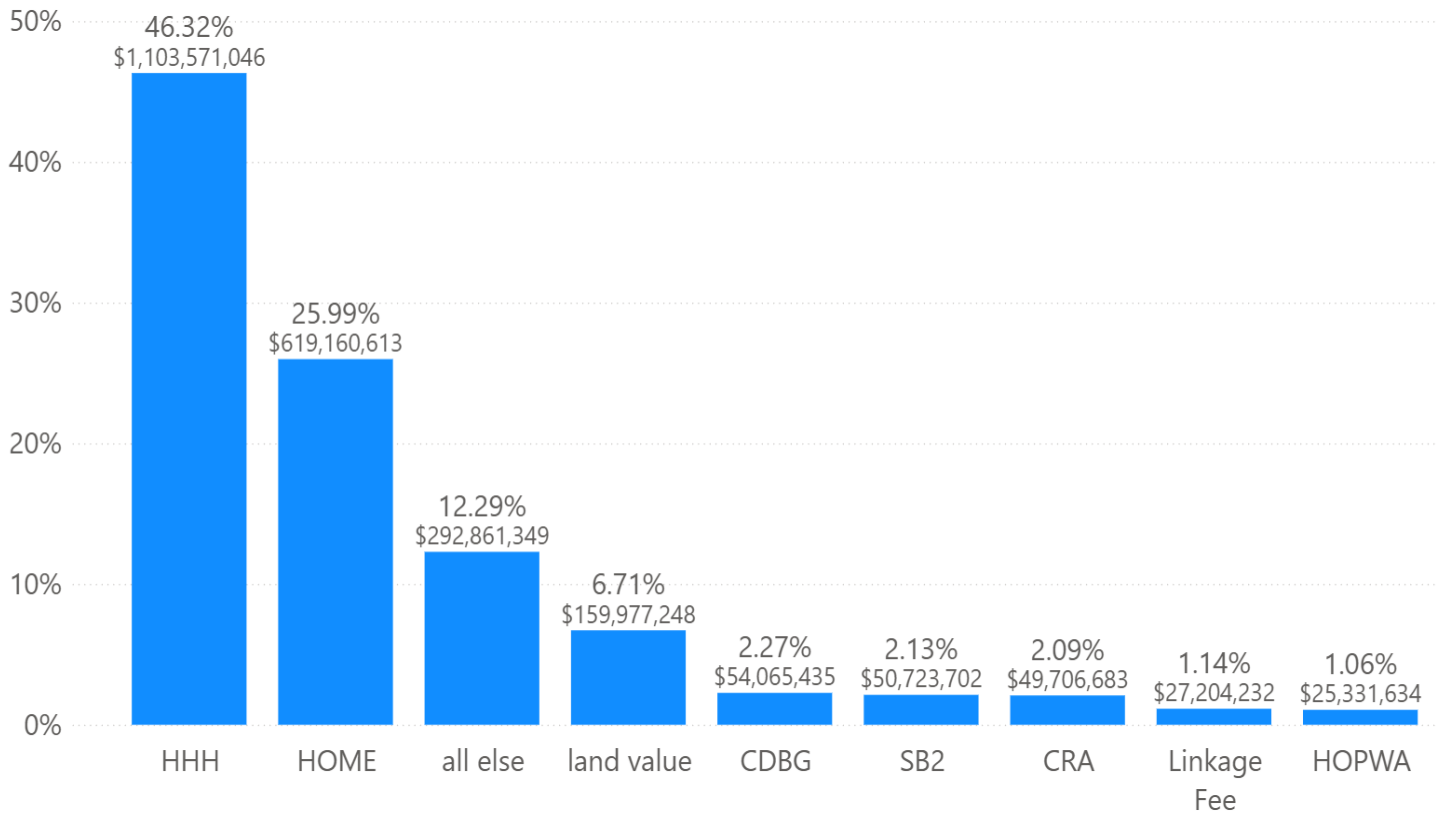
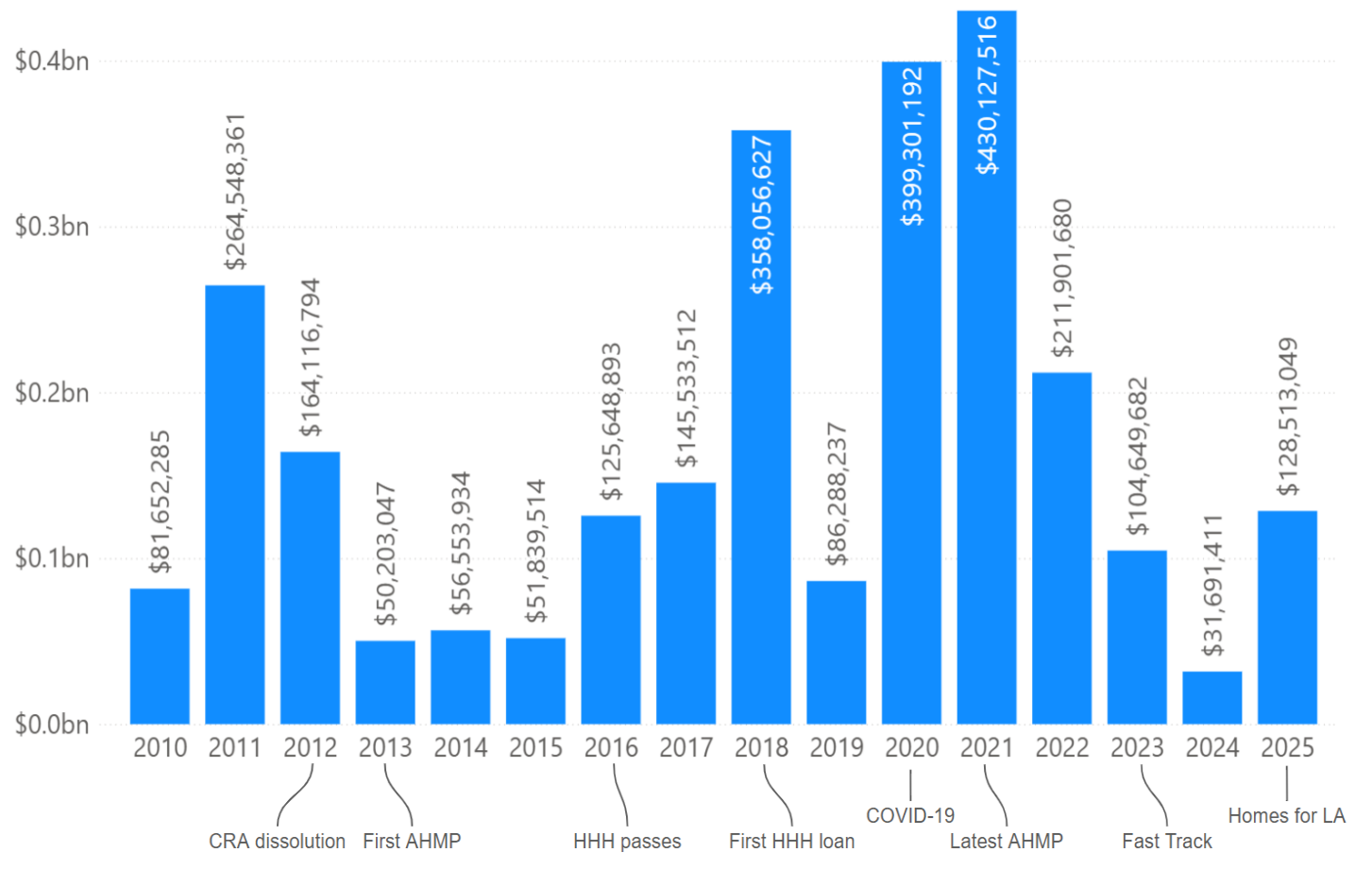


Figure 6 shows the total amount, per year, of private activity bonds issued by the City within deals that also include City financing (i.e. City-Financed projects). Across the 16-year period, the amount of private activity bond financing secured by City-Financed housing projects has fluctuated roughly in line with the overall amount of financing activity in a given year. In total, the amount of private activity bond financing to City-Financed projects is \$2.7 billion.

Figure 6: Private Activity Bond Financing Over Time – City-Financed Projects Only (2010–2025)



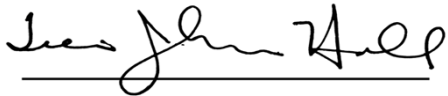
REPORT CADENCE AND USAGE

As part of the ULA data and reporting requirements, following the first round of Homes for LA NOFA funding awards, the Department is soon launching an interactive data dashboard to provide real-time data on ULA investments in affordable housing. Currently, the Department reports annually in various reports on the funding sources which funnel into the Pooled Sources umbrella and also comprise most of the eight (8) sources reviewed in this report, including but not limited to, HOME, PHLA/SB2, and Linkage Fee. Given the multiple additional reporting outlets, and the variability of unit financing, the Department recommends that this comprehensive report be produced annually in order to aggregate all of these sources of reporting in one place.

FISCAL IMPACT

There is no impact to the General Fund.

Approved By:



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