

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: June 25, 2024

CAO File No. 0150-12707-0000

Council File No. 20-0023-S2

Council District: Citywide

To: The Mayor  
The Council

From: *Yolanda Chavez*  
for Matthew W. Szabo, City Administrative Officer

Reference: Los Angeles Housing Department transmittal dated May 16, 2024; Received by the City Administrative Officer on May 28, 2024; Additional information received through June 18, 2024

Subject: **REQUEST FOR AUTHORITY TO ENTER INTO LOAN AND REGULATORY AGREEMENTS TO FINANCE ACCESSIBILITY RETROFITS OF EXISTING AFFORDABLE HOUSING DEVELOPMENTS IN ACCORDANCE WITH THE AMENDED CORRECTED SETTLEMENT AGREEMENT WITH THE INDEPENDENT LIVING CENTER OF SOUTHERN CALIFORNIA, ET. AL. AND VOLUNTARY COMPLIANCE AGREEMENT WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

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### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Note and file the Los Angeles Housing Department (LAHD) transmittal dated May 16, 2024;
2. Authorize the General Manager of the LAHD, or designee, to negotiate and execute accessibility retrofit Loan and Regulatory Agreements with the legal owner of each project and in the amounts identified in Table 1, subject to the review and approval of the City Attorney as to form;
3. Authorize the General Manager of LAHD, or designee, to execute subordination agreements of the financial commitment for each of the projects identified in Table 1, wherein the City's Loan and Regulatory Agreements are subordinated to their respective conventional or municipally funded loans, as required subject to the review and approval of the City Attorney as to form;
4. Instruct the City Clerk to place on the agenda of the first regular City Council meeting on July 1, 2024, or shortly thereafter, the following instructions:
  - a. Request the Controller to transfer \$1,596,000 from the Affordable Housing Trust Fund No. 44G/43 Account No. 43A411 Unallocated Balance to the Accessible Housing Fund No. 10D/43 Account No. 43A698 Retrofit;

- b. Authorize the General Manager of LAHD, or designee, to obligate and disburse funds for the projects in amounts not to exceed those listed below:

<b>Table 1 – Retrofit Funding Obligations</b>		
<b>Owner</b>	<b>Fund/Account</b>	<b>Amount</b>
Mercy Housing California 73, L.P.	10D/43A698 Retrofit	\$2,535,000
Paul Williams Apartments, L.P.	10D/43A698 Retrofit	\$1,490,000
Metro Villas Phase 2 Los Angeles, L.P.	10D/43A698 Retrofit	\$2,100,000
Jordan Downs Phase 1B, L.P.	10D/43A698 Retrofit	\$2,000,000

5. 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 request the Controller to implement the instructions.

## **SUMMARY**

In its transmittal dated May 16, 2024 (Report), the Los Angeles Housing Department (LAHD) requests authority for various items related to the Accessible Housing Program (AcHP) retrofit loan program. This includes authority to negotiate and execute loan, regulatory, and subordination agreements, and authority to obligate and disburse loan funds to complete retrofits in four affordable housing projects. This Office concurs with these recommendations. The LAHD also requests authority to transfer \$6 million from the 2023-24 Unappropriated Balance, which is no longer available, to the Accessible Housing Fund. This Office does not support this recommendation and instead recommends a transfer of \$1.596 million from the Affordable Housing Trust Fund Unallocated Balance to the Accessible Housing Fund, to fully fund the retrofit loans discussed in the Report. Additional details about the four affordable housing project can be found in the Report.

The Independent Living Centers of Southern California, et al., corrected settlement agreement (CSA) and the U.S. Department of Housing and Urban Development voluntary compliance agreement (VCA) obligate the City to provide affordable, accessible housing units, including 3,100 retrofits of existing affordable housing units. The AcHP was created in part to comply with these two settlement agreements that require the City to create additional affordable accessible housing units. The recommendations in this report will provide retrofit loans to make 59 existing affordable housing units fully accessible.

## **Funding for Retrofits**

The AcHP is funded by the Accessible Housing Trust Fund, a special fund that is fully subsidized by the General Fund. The 2023-24 Adopted Budget includes a \$6 million appropriation for retrofits and another \$6 million in the Unappropriated Balance that could also be used for this purpose. The 2024-25 Adopted Budget assumed that these funds would not be spent in the current fiscal year

and included a \$10 million appropriation for retrofits available on July 1, 2024. The Council has previously obligated \$3.471 million for retrofit (C.F. 20-0023-S1). The four projects included in this report require a total commitment of \$8.125 million leaving a funding gap of \$1.596 million. This Office recommends to offset the funding gap with a transfer from the Affordable Housing Trust Fund. The LAHD does not expect these retrofit loans to be drawn down until the beginning of 2025.

### **Cost of Retrofits**

The settlement agreements commit the City to retrofit 3,100 units so that they meet set accessibility standards. In addition to these units, common areas in the housing developments must be remediated and the non-retrofitted units must be made adaptable so that they can be converted to accessible units if requested by a tenant in the future. If the recommendations in this report are approved, the City will have appropriated \$11.596 million to provide loans to retrofit 99 affordable housing units, or an average cost of \$117,131 per unit. Based on this average cost, the total cost of retrofitting the required 3,100 units will come to \$363 million.

### **FISCAL IMPACT STATEMENT**

Funding for the retrofit loans is provided from the Affordable Housing Trust Fund and budgeted funds in the Accessible Housing Fund, which is subsidized by the General Fund. There is no additional impact to the General Fund.

To meet the Voluntary Compliance Agreement requirement of 3,100 retrofit units, the retrofit loan program will cost \$363 million, which will be provided from the General Fund unless alternative funding sources are identified.

### **FINANCIAL POLICIES STATEMENT**

The recommendations in this report are consistent with the City's financial policies in that future costs are projected to be fully paid by future revenues.