

TRANSMITTAL

To: **THE COUNCIL**

Date: **04/18/2025**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Carolyn Webb de Macias". The signature is fluid and cursive, with a large loop at the end.

(Carolyn Webb de Macias for)

KAREN BASS

Mayor

City of Los Angeles

Tiena Johnson Hall, General Manager
Tricia Keane, Executive Officer

Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager
Craig Arceneaux, Acting Assistant General Manager



Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1910 Sunset Blvd, Ste 300
Los Angeles, CA 90026
Tel: 213.808.8808

housing.lacity.gov

March 14, 2025

Council File: 23-0206
Council Districts: Citywide
Contact Persons: Elizabeth Selby (213) 256-2336

Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Thomas Arechiga, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY TO IMPLEMENT A FAST TRACK SOLUTIONS LOAN PROGRAM FOR APPROVED AFFORDABLE HOUSING PROJECTS

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, LAHD seeks approval, and requests authority to fund and implement a third iteration of the Fast Track Loan Program for endangered projects under, or about to start, construction. This action is recommended to prevent projects experiencing financial challenges, due to current market conditions, from missing critical milestones that would otherwise place them in jeopardy of losing leveraging resources or endangering their long-term project viability.

The Fast Track Loan Program (C.F. No. 23-0206) was approved on March 15, 2023, to fund and implement a Notice of Funding Availability (NOFA) for endangered projects under, or about to start, construction. This iteration of the Fast Track Loan Program will function similarly.

Since the inception of the Fast Track Loan Program, LAHD has approved loans to 19 projects with 1,402 units, totaling \$44,672,001. Additional projects continue to experience financial challenges that often has them missing critical milestones, in turn, placing them in jeopardy of losing leveraging resources or endangering their long-term project viability. This transmittal recommends supplementing the original Fast Track Loan Program allocation to address the needs of additional projects to ensure their on-going viability.

Presenting project awardee recommendations directly to Council is the most expeditious way to help complete these projects so that they are ready for occupants. Therefore, this transmittal recommends replacing the Administrative Oversight Committee's original authority granted through C.F. No. 23-0206 with Council approval of project funding to expedite the funding process.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. AUTHORIZE the General Manager of LAHD, or designee, to amend the Fast Track Solutions Loan Program as described in this report, and to issue a Notice of Funding Availability (NOFA) using the revised eligibility requirements
 - B. AUTHORIZE the General Manager of LAHD, or designee, to reserve \$17,399,219 in various funding sources as identified in Recommendation D;
 - C. AUTHORIZE the Controller to:
 - i. Establish a new account 43AD44-Affordable Housing Projects and appropriate \$1,389,897 within the Local Housing Trust Fund No. 48G.
 - ii. Establish a new account 43AD44-Affordable Housing Projects and appropriate \$738,651 within the Rental Housing Production Fund No. 307.
 - D. AUTHORIZE the General Manager of LAHD, or designee, to obligate and disburse funding as follows for supplemental loan funding:

Fund	Account	Account Name	Amount
64R – SB2 Permanent Local Housing Allocation	43A723	Rental New Construction	\$5,695,827
59T – City of LA Housing Impact Trust Fund	43Y723	Rental New Construction	\$9,304,173
48G – Local Housing Trust Fund	43AD44	Affordable Housing Projects	\$1,389,897
307 – Rental Housing Production	43AD44	Affordable Housing Projects	\$738,651
44G – Affordable Housing Trust Fund	43J441	GF-PSHP	\$270,671
		Total:	\$17,399,219

- E. INSTRUCT LAHD to report back to the Mayor and City Council on the results of the NOFA, including the number of loan increases recommended, the amount of each loan increase recommended, and the projects to be awarded increased loans;
- F. 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

In 2022, LAHD became aware that some of its borrowers' projects in predevelopment or construction were experiencing financial challenges due to then-current market conditions. These market conditions are on-going and continue to pose financial challenges. Reasons for financial overruns included rapid increases in interest rates, insurance premium increases, and increased contingency and reserve requirements imposed by lenders and investors as a response. The California Construction Cost Index ("CCCI") reported a 13.4% increase in specific construction trade labor and materials for San Francisco and Los Angeles between December 2021 and December 2022, a 9.3% increase between December 2022 and December 2023, a 9.4% increase between December 2023 and today.

These conditions have created gaps in financing that prevent projects from completing construction, repaying construction loans, or starting construction when all expected financing is assembled. To date, the Fast Track Loan Program has supported 19 projects inclusive of 1,402 units of affordable housing. LAHD estimates that another 46 projects or 3,946 units in the existing pipeline are in jeopardy, which would reduce opportunities to quickly provide homes for people needing housing.

Because of the urgent deadlines related to projects affected by these cost increases, LAHD is recommending the issuance of a NOFA, and recommending that LAHD return directly to Council and the Mayor with recommendations for which projects require and should receive funds. The maximum loan increase per project would be \$5 million. To limit the need for new funds, the amount of LAHD accrued construction period interest payable at permanent loan conversion would be deferred and added to the loan balance. Loan terms would be the same as the previously approved loan if the previous loan was HHH or the Affordable Housing Managed Pipeline ("AHMP"); or would be the same as the AHMP if the previously approved loan was from the Affordable Housing & Sustainable Communities program.

Eligibility Criteria

To be eligible, the following criteria shall be met:

1. The project must have City Council approved LAHD funding commitments from programs including HHH, Affordable Housing Managed Pipeline, Affordable Housing & Sustainable Communities Loans, Tax Exempt Bonds; as well as all required leveraging sources, including but not limited to allocations from the California Tax Credit Allocation Committee, California Debt Limit Allocation Committee, California Department of Housing & Community Development (HCD) such as Affordable Housing and Sustainable Communities (AHSC), Los Angeles County Development Authority, or Federal Home Loan Bank;
2. The project's loans may not have converted to permanent financing;
3. The developer must have exhausted all available funding options, including a 50% developer fee deferral;

4. The developer must demonstrate that construction loans can be closed or construction completed by applicable readiness or placed-in-service deadlines;
5. The project must not have received a previous award of Fast Track or ULA Accelerator funds.

LAHD loan limit increases will only be considered for amounts above the first \$500,000 of funding gap. The proposed total amount available under this program will be limited to \$15,000,000. The funding sources are the state Permanent Loan Housing Allocation ("SB2" funds) and Linkage Fee Rental New Construction Funds.

The required application documentation shall require, at a minimum, the following:

- Narrative explanation of the increase and description of attempts to cover the overall gap;
- Full financial proforma (LAHD format) showing original application and revised with requested increase; and
- Detailed construction cost increase documentation showing original and revised costs.

Selection Process

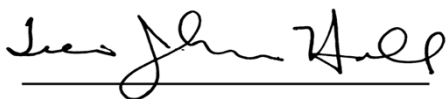
Upon approval by the Council and Mayor of LAHD's recommendations, LAHD will notify all eligible projects of the availability of this funding source. Applications will be acted upon immediately and will be reviewed and approved on a rolling basis.

When forty percent of the fund has been allocated on an open window basis, if the number of requests exceed the balance available, the selection criteria will be first based upon the amount of committed outside resources per unit at risk of recapture. If funds remain, projects will be considered for funding based on their ability to meet the full funding gap needs for the lowest amount of overall LAHD funding per unit.

FISCAL IMPACT

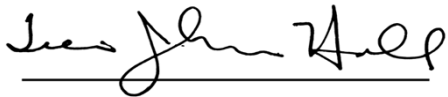
There is no impact to the General Fund. The funds requested to be obligated for this funding opportunity are from state SB2 funds and local Linkage Fee funds that would have been used as part of the Affordable Housing Managed Pipeline Notice of Funding Availability next year; and several other funding sources the department had identified. If the availability of Linkage Fee or SB2 does not increase in the coming year, or if HOME Program Income does not increase, the AHMP NOFA may support fewer projects next year.

Approved By:



TIENA JOHNSON HALL
General Manager
Los Angeles Housing Department

Approved By:

A handwritten signature in black ink, appearing to read "Tiena Johnson Hall", written over a horizontal line.

TIENA JOHNSON HALL
General Manager
Los Angeles Housing Department