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Click here for the Executive Director of the CDC's report dated April 16, 2013

County of Los Angeles
CHIEF EXECUTIVE OFFICE
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500 West Temple Street, Room 713, Los Angeles, California 90012
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WILLIAM T FUJIOKA
Chief Executive Officer

November 28, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

REPORT STATUS: PROCESS TO FUND LOW INCOME HOUSING AND ECONOMIC DEVELOPMENT PROJECTS USING FUNDS PREVIOUSLY COLLECTED BY REDEVELOPMENT AGENCIES

At the Board of Supervisors' meeting held on October 23, 2012, the Board discussed Agenda Item No. 1-D and 10 directing the County Community Development Commission (CDC) to transfer $11 million to fund affordable housing projects throughout the County. On Motion of Supervisor Knabe, the Board instructed the Chief Executive Office (CEO) to report back to the Board in 30 days on a process and criteria by which cities can access revenue previously collected by redevelopment agencies (RDAs), now being collected by the County General Fund, for low-income housing and economic development projects that remove blight.

Subsequently, at the Board meeting held on November 27, 2012, the Board discussed Item No. 18, a motion by Supervisor Ridley-Thomas, and amended by Supervisors Yaroslavsky and Antonovich, directing the CEO to report back in 45 days on an implementation strategy for the affordable housing and economic development framework. Therefore, this office will combine the directives contained in the Board motions of October 23rd and November 27th, and work with Board offices, CDC and other appropriate departments to develop a coordinated and consolidated response.

Further, given the County's obligation to reimburse revenues to cities according to the State Supreme Court's recent decision in the Alhambra case, this office, in conjunction with the Auditor-Controller, will provide an estimate of the funding sources currently available to the County General Fund from the dissolution of redevelopment. If you have any questions regarding this matter, please contact Robert Moran at (213) 974-1130, or rmoran@ceo.lacounty.gov.

WTF:EFS
MKZ:RTM:ib

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller

112812 Redevelopment Dissolution Revenue Program (Brd Memo) docx

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WILLIAM T FUJIOKA
Chief Executive Officer

February 14, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

REQUEST FOR EXTENSION OF REPORT BACK ON THE DEVELOPMENT OF AN AFFORDABLE HOUSING AND ECONOMIC DEVELOPMENT FRAMEWORK WITHIN THE CONTEXT OF THE COUNTY'S GENERAL FUND NEEDS AND CITIES ACCESS TO REVENUE FOR PROJECTS TO REMOVE BLIGHT (AGENDAS OF OCTOBER 23, 2012, ITEM NO. 10 AND NOVEMEBER 27, 2012, ITEM NO. 18)

On November 27, 2012, the Board directed the Chief Executive Office (CEO) and the Community Development Commission (CDC) to develop an "Affordable Housing and Economic Development Framework" including funding sources currently available. In addition, on October 23, 2103, the Board directed the CEO to develop a process and criteria by which cities can access revenue previously collected by former redevelopment agencies that is now being realized by the County, for low-income housing and projects that remove blight and facilitate economic development projects.

Over the past 60 days we have been gathering data on the actual funds that will potentially return to the County and the determination if they are one-time versus ongoing sources of funding. In addition, CDC is determining the levels of funding necessary for staffing and projects to continue affordable housing projects. There are still many unanswered questions regarding former redevelopment funds and how much will be returned to the County in the future. We want the opportunity to discuss the assumptions regarding the future funding streams that will impact possible programs and their sustainability. Board Chief Deputies, CDC Deputies, as well as Budget Deputies will be included in these discussions. For that reason, we are requesting an extension until March 22, 2013.

Should you have any questions in the interim, your staff may contact Rita Robinson at (213) 893-2477, or Corde Carrillo at (626) 586-1800.

WTF:RLR:os

c: Executive Office, Board of Supervisors
County Counsel
Community Development Commission

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Community Development Commission

April 16, 2013

TO: Each Supervisor

FROM: Sean Rogan, Executive Director

SUBJECT: **AFFORDABLE HOUSING AND ECONOMIC DEVELOPMENT FRAMEWORK IN RESPONSE TO AMENDED MOTION APPROVED BY THE BOARD OF SUPERVISORS AT THE MEETING OF NOVEMBER 27, 2012**

The attached Affordable Housing and Economic Development Framework (Framework) is submitted in response to the amended Motion approved by the Los Angeles County Board of Supervisors on November 27, 2012 (Agenda Item 18).

In keeping with the amended Motion, the Community Development Commission (CDC), in cooperation with the Chief Executive Office (CEO), developed the Framework to include recommendations on policy goals, potential implementation strategies and funding sources.

The Framework recommends ways to address the continuing need for affordable housing and economic development in the County within the context of the impacts of Federal budget cuts, the dissolution of California redevelopment agencies, and revenue and needs assessments of the County General Fund.

If you or your staff has any questions, please call me at (626) 586-1500 or Cordé Carrillo, Director of Economic and Housing Development Division at (626) 586-1800.

Attachment

C: William T Fujioka
Each Deputy

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES

Affordable Housing and Economic Development Framework and Implementation Strategy

We Build Better Lives
& Better Neighborhoods

On November 27, 2012, the Board of Supervisors (Board) directed the Chief Executive Office (CEO) to work with the Community Development Commission (Commission), and other appropriate County departments to review and report back to the Board within 45 days on an Affordable Housing and Economic Development Framework (Framework) that includes the following policy goals:

1. Development of Affordable Housing
2. Funding for Infrastructure Development to Support Inter-Agency Collaboration and Efficiency
3. Grants to Cities to Support Economic Development and Blight Mitigation Projects
4. Support for Small Business Development
5. Support for Regional Economic Development
6. Seed Funding for Transit Oriented Development
7. Angel Funding to Support Local Biotech Enterprises
8. Funding for General County Operations

In addition, the Board directed that the Framework identify funding sources currently available and recommendations on a potential implementation strategy. The Board recognized that the proposed Framework would require further deliberation and input from stakeholders and the public. Further, the Board expressed that funding should be allocated in a manner that *"inspires integration and enhanced government services, relies on evidenced-based strategies, promotes transparency and accountability and leverages other funding sources when feasible".*

This Framework demonstrates the Commission's ability to successfully collaborate with other County Departments, use best practices and leverage additional resources in accordance with the Board's policy and implementation goals. Although this Framework is written to address the Board's November 27, 2012 directive, it is in keeping with and updates the Commission's original draft Affordable Housing and Economic Development Framework prepared in response to the Board's directive of January 17, 2012.

The Board recognizes that there continues to be a need for affordable housing and economic development in the County. How to meet this need in a rapidly changing fiscal and regulatory environment is the key to successfully administering affordable housing and economic development programs in Los Angeles County in the years to come. The Commission's ability to innovate and adapt to changing fiscal realities is one of its strengths. Moreover, the Commission has time-tested collaborative relationships with County departments, the majority of the cities in the County, and private and non-profit participants in housing and economic development. These relationships, combined with experience and expertise in the housing and economic revitalization arenas, provide the foundation for developing a 5-year Plan that best serves County residents.

The recommendations herein outline a coordinated housing and economic development strategy that does not lose sight of the realities of the current economic environment. This report contemplates how the County can adapt current and new programs and strategies to prevent homelessness, produce sustainable affordable housing and include broader geographical areas of eligibility. It also maps a way forward for economic development following the dissolution of redevelopment agencies, subsequent program elimination, and the loss of expertise through staff reduction.

POLICY GOALS

1. Development of Affordable Housing

Over the last six months, the Commission confronted the difficult challenges resulting from State and Federal government funding cuts. In collaboration with both the Board and First 5 LA, the Commission used available revenues to create new opportunities for the development of affordable housing Countywide. In September 2012, First 5 LA designated the Commission as one of its technical advisors in the development and administration of its own Notice of Funding Availability (NOFA), making available $23.0 million for supportive housing for homeless families and related services. It should also be noted that demand was 14% higher than available funding for the First 5 LA resource in spite of targeting a very narrow population.

On October 23, 2012, the Board made available $11.0 million for a NOFA with the expectation of creating approximately 176 additional units of affordable housing throughout the County. The NOFA made available $8.8 million in County General funds, $524,446 in Homeless Bonus funds, and $1.6 million in HOME funds, for a total of $10.9 million to cover capital expenditures associated with creating affordable housing for both special and non-special needs populations. The Commission received proposals from 11 affordable housing developers amounting to $15,578,425 for 359 housing units. The demand was 43% higher than the available funding.

On March 5, 2013, the Board approved the allocation of $15.0 million of the funds the County has received from redevelopment agency Low- and Moderate-Income Housing Funds (LMIHF) for a NOFA in the Fall of 2013.

Given the Commission's successful track record of managing affordable housing projects, the Commission recommends that the Board annually allocate for a period of five years, a minimum of $34.7 million of former redevelopment money to finance ongoing development of affordable housing. The funds will be allocated Countywide and in a manner consistent with the Commission's current NOFA process. These funds will be targeted to prioritize housing for special needs populations, including but not limited to homeless, veterans, and transitional aged foster youth populations. Please see the Housing Implementation Strategy below, for more detailed information on the Commission's proposed approach to increase the number of units for homeless families, veterans, transitional age youth and other special needs populations as well as senior and family households during the next five years.

2. Funding for Infrastructure Development to Support Inter-Agency Collaboration and Efficiency

This policy goal will require further investigation beyond the context of this report to determine whether there is a need for infrastructure development to support greater inter-agency collaboration and improved efficiencies.

3. Grants to Cities to Support Economic Development and Blight Mitigation Projects

The Commission recommends funding to release an Economic Development NOFA, similar to the Commission's successful housing development NOFAs, as part of the 5-year strategy. The purpose of this NOFA would be to assist cities with blight mitigation projects, particularly those worthwhile but stalled projects with funding gaps resulting from the loss of redevelopment funding. The NOFA criteria would include factors such as location near transit stations, jobs created, wage levels, growth industries, export potential, and revenue generated for the County.

Additionally, the preservation of industrially-zoned land, leveraging of funds, project readiness, development team experience, and a local hiring plan would be included in the NOFA criteria. An economic development NOFA would require approximately $15.0 million for one or more pilot projects.

Lastly, opportunities may be presented to assist cities to purchase properties sold by Successor Agencies of former redevelopment agencies. The dissolution of redevelopment agencies requires the disposition of properties acquired in whole or in part with tax increment funds. The magnitude of this opportunity is not fully known at this time. To the extent that additional funds are available, these funds can be used to acquire properties in former redevelopment project areas for projects that would generate jobs, increase the tax base or provide affordable housing.

4. Support for Small Business Development

Support for small business development programs are proposed based on the needs and priorities of each Supervisorial District, assuming an allocation of $2.0 million per year for the next five years per District. The intricacy of project delivery will affect the overall funding need. The programs will be tailored for each District and could include support for local economic development initiatives the Commission has administered, such as:

- Entrepreneurial Training
- Streetscape Beautification
- Public Parking Lots
- Business Façade Improvement grants
- Business Improvement District formation
- Revolving and Micro-Loan Programs
- Brownfields Remediation
- Assistance to Chambers of Commerce
- Enterprise Zone

In addition, the Commission's Business Technology Center (BTC) has been providing technical assistance to small start-up businesses through its high technology incubator and the Los Angeles Business Owners Outreach, Support and Training (LA BOOST) programs for 14 years. The BTC is well-known for its graduates' success stories. Among its successes are Arecont Vision, employing over 150 people in Glendale; Craic Technology, employing over 50 people in San Dimas; LeisureLink, employing over 50 people in Pasadena; and Goldstar, Inc., which has achieved over $75 million in revenue and is also located in Pasadena. Other BTC graduates include Qwiptech, SpectraSensors, GameWorld, and Hightower Software, which all had successful exits after venture capital funding and, in some cases, were acquired. Overall the economic impact of the BTC has been the creation of 1800 jobs and client companies have received $200 million in funding during their stay in the incubator.

In addition, the BTC has experience helping other incubators and accelerators get started. The BTC has helped, the College of the Canyons, Digital Media Center, Art Center College of Design, LA Port Tech, Fame Renaissance and others.

5. Support for Regional Economic Development

The Los Angeles County Economic Development Corporation's subsidiary, The World Trade Center Association Los Angeles – Long Beach (WTCA LA-LB), supports the development of international trade and business opportunities for Southern California companies as a key international trade association, trade service organization and trade resource in the Los Angeles region. They also promote Los Angeles County as a destination for foreign investment to targeted international audiences to attract investment to the region, thereby enhancing the region's economy, employment and business opportunities for local firms. In addition, the WTCA LA-LB offers businesses the opportunity to expand in the international market through a variety of cooperative regional efforts, combining the numerous public and private trade resources available.

The WTCA LA-LB retains trade experts and staff that provide businesses with the basics of trade, individual export and import counseling; referrals to State and Federal agencies for trade promotion; investment attraction; and the use of a state-of-the-art online database for market research and trade leads.

In addition to the LAEDC programs, the BTC has been active in encouraging and facilitating foreign company investment in the County through its Beachhead program and participation on ad hoc "Red Teams" of County departments and other agencies that work together to assist businesses considering relocating to Los Angeles County.

6. Seed Funding for Transit Oriented Development

It is proposed that a a pilot program be established that would make available $5.0 million of Transit Oriented Development (TOD) funds for a project identified in Los Angeles County meeting TOD criteria. If successful, a minimum allocation of $5.0 million annually would be made available to local developers and community-based organizations (CBO) for land acquisition, co-investment capital and/or pre-development costs. Ideally this pilot program would leverage both the Metropolitan Transportation Authority (Metro) and Housing and Community Development funds for TOD projects, if available during the implementation period.

Additionally, the Department of Regional Planning (DRP) is currently updating the Los Angeles County General Plan to include programs that guide land use development. Many of these programs will be implemented by County departments. These plans will therefore inform the annual budget process and will be used to set funding priorities.

One area of DRP's focus is TODs. DRP identifies TODs as areas that are within a 1/2 mile radius from a major transit stop, well-suited for higher density housing and mixed uses and operate as nodes of commercial and civic activities. The County's eleven TODs include:

- Aviation/LAX Station TOD (Metro Green Line)
- Hawthorne/Lennox Station TOD (Metro Green Line)
- Vermont/Athens Station TOD (Metro Green Line)
- Willowbrook Station TOD (Metro Green Line/Blue Line)
- Slauson Station TOD (Metro Blue Line)
- Florence Station TOD (Metro Blue Line)
- Firestone Station TOD (Metro Blue Line)
- Del Amo Station TOD (Metro Blue Line)
- Sierra Madre Villa Station TOD (Metro Gold Line)
- Third Street TOD Corridor (Metro Gold Line)
- 110 Freeway/Carson Station TOD (connection to Metro Silver Line)

According to the General Plan update, all TODs will be implemented according to TOD Station Area Plans. The goals of station area plans are to: increase ridership; facilitate compact, mixed use development; improve pedestrian amenities and public safety; increase economic activity; and facilitate the public investment of infrastructure improvements. These plans focus on the unique characteristics and needs of each community and address access and connectivity, pedestrian improvements, and safety issues.

The proposed seed funding would leverage existing County efforts to address challenges to TOD implementation, particularly each TOD's mandated Economic Development Plan. DRP has identified the Commission as one of the partners in the General Plan update regarding TOD implementation and fully supports the partnership.

The Commission's assistance could include meeting DRP's goals of conducting a market analysis for each TOD station area and tailoring specific strategies to encourage the activities and services needed to attract economic opportunities to the TOD and surrounding areas. One such effort would include addressing the existing development patterns around transit stations. Currently, many of the lots are small and successful development will require site assembly to make private development and investment feasible. Site assembly will also allow for higher density developments. Most recently, numerous small parcels were identified as a development obstacle in DRP's Metro planning grant application for the Willowbrook TOD Specific Plan.

In order to leverage funding for both economic development and affordable housing development, the Commission proposes incentivizing affordable housing in TOD corridors in future housing NOFAs. This will allow for focused efforts that utilize the Commission's core competencies and assist other County departments in meeting their goals. The Commission is well-versed in site assembly requirements, including relocation.

Finally, combining TOD and affordable housing development has been identified as a potential greenhouse gas reduction strategy. In a January 2013 Working Paper, the California Housing Partnership Corporation identified the following trends:

- Lower-income households are less likely to own a car, more likely than other income groups to walk or take transit and have lower vehicles miles traveled
- Living in a TOD reduces auto use and resulting greenhouse gas emissions
- Housing near transit stations is subject to more rapidly increasing rents and property values, making these areas less affordable to low-income households over time.

This suggests that combining TOD and affordable housing will help the County meet its goals for the reduction of greenhouse gas emissions and help ensure that low-income residents who use transit are able to live nearby affordably.

7. Angel Funding to Support Local Biotech Enterprises

The BTC has raised over $200 million from Angel and Venture Capital investors. With its affiliation with such investors as the Pasadena Angels and Tech Coast Angels, the BTC is well positioned to play a prominent role in coordinating capital formation for biotech firms. The Pasadena Angels, a 110 member Angel group meets at the BTC. The Tech Coast Angels is a 300 member investment organization, making it one of the largest in the world.

Since this policy initiative seeks to support emergent biotech companies the BTC's experience in growing high technology companies is a significant resource. The BTC is a 40,000 square foot secure facility with a state-of-the-art infrastructure offering key business support services to emerging technology organizations including access to capital and business professional mentorship from a large volunteer group of seasoned executives. Members of the BTC's Advisory Committee and Mentoring Committee are acknowledged experts in technology commercialization and hold patents and have published in such fields as:

- Commercializing Medical Technologies
- The Development of University Based Entrepreneurial Ecosystems
- Environment and energy technologies
- Venture Capital
- Intellectual Property
- Military and aircraft technology

In addition, at the request of the County, the BTC assisted with a feasibility study for a technology corridor and incubator in the former Whiteside redevelopment area and advised on a proposed biotech incubator in the former County General Hospital.

8. Funding for General County Operations

The Board has requested the CEO to consider the funds that the County received as a result of the dissolution of Redevelopment Agencies (RDAs) for a number of general County operations including affordable housing, economic development as well as compliance with the Clean Water Permit. Currently the County General Fund has received both potentially on-going and identifiable one-time funds from the dissolution of RDAs. It is not known how much of the potentially on-going funds are sustainable, since large amounts were generated by reserves maintained by RDAs and therefore impossible to project with any reasonable certainty, at this time. In FY 2012-13, the County received approximately $75 million in unencumbered Low and Moderate Income Housing Funding (LMIHF) monies from various redevelopment agencies throughout the County. Cities and other taxing entities have also received their proportional share of the unencumbered LMIHF monies. LMIHF monies are one-time in nature and, in keeping with County budget policy, should only be used for one-time expenditures.

As noted above, the Board approved the allocation of $15 million of LMIHF monies to the Commission for an affordable housing NOFA. In addition, the Board deferred consideration of the remaining Housing Due Diligence Review funds ($60 million) until the Fiscal Year 2013-14 budget process, which will allow the Board to consider the overall County funding needs. There is no doubt that affordable housing is needed in the County and the Framework proposed by the Commission will assist in leveraging scarce resources. However, there are numerous uncertainties and competing needs that must be addressed and considered to maintain general County operations as well as affordable housing and economic development opportunities.

HOUSING DEVELOPMENT IMPLEMENTATION STRATEGY

In keeping with the Board's directive from November 27, 2012, the Commission recommends a 5-year affordable housing plan with the objective of increasing the number of units for homeless families, veterans, transitional age youth and other special needs populations (hereinafter, referred to as "target populations") in the County. It has been noted that the demand for affordable housing financing is much greater than available resources so the annual need for capital financing has been once again clearly established in the past few months. Unfortunately, one of the burgeoning challenges in meeting this objective is the limited availability of operating subsidies or rental assistance sources. The operating subsidy is an essential financial component for developing financially-feasible projects for the long-term. For this reason, a key element of the affordable housing plan is the incorporation of an operating subsidy program that would enable the increased unit production for very low-income families and individuals. The Commission's operating subsidy program would be modeled after California's Mental Health Services Act Housing Program (MHSA), which is currently unfunded. Without this subsidy, the cost of operations exceed the rent collected early in the life of the building leading to deferred maintenance and deteriorating living environments. Federal sequestration has made the use of traditional sources of rental assistance (Project-based Section 8, Shelter Plus Care, etc.) untenable for the foreseeable future.

The following goals will comprise the 5-year Affordable Housing Plan:

- Increase number of units built Countywide for the target populations identified above
- Introduce an operating subsidy program or equivalent strategy
- Create local funding stability amidst instability at Federal and State level
- Establish a regular program timeframe to facilitate project development planning
- Strengthen coordination for comprehensive supportive services programs to tenants
- Reincorporate energy efficiency and sustainability incentives to achieve quality housing and to reduce operating costs
- Introduce incentives for onsite child care, health clinics and TODs
- Seek input from developer, lender, and investor communities
- Explore opportunities for renewed collaborative efforts with the Department of Mental Health, Department of Children and Family Services, Probation Department, County Office of Sustainability, as well as the California Tax Credit Allocation Committee (TCAC), the California Department of Housing and Community Development (HCD), the cities, and the Los Angeles Housing Department
- Improve existing processes, including establishing an online platform for the NOFA process
- Strive to include units for the target populations in all projects receiving tax credits within the County geographic allocation area.

A commitment to allocate $34.7 million of affordable housing funds annually by the Board will allow the Commission to issue a Countywide NOFA annually, for the next five years, and offer the affordable housing industry some level of stability and predictability. The NOFA would place a greater emphasis on the development of affordable housing for homeless families, veterans, transitional age youth and other special needs populations given the complexity and challenges to finance these developments. Housing projects for seniors and families may be required to reserve units for an appropriate special needs population.

The 5-year Affordable Housing Plan envisions the development of more mixed-population projects Countywide. For example, the Commission's Casa Dominguez project completed in 2010 is a 70-unit family development located in East Rancho Dominguez that reserved seven units for transition age youth and also incorporated an onsite health clinic and licensed child care facility. This nationally recognized project received the U.S. Department of Housing and Urban Development's Doorknocker award, as well as, several awards for sustainability. The Commission strives to replicate projects like Casa Dominguez, which provide residents with stability, services, and self-sufficiency opportunities and a greater public benefit. In addition, the regionalization of special needs projects can best be accomplished by developing mixed-population projects. Cities and communities may be more comfortable with multifamily and senior affordable housing developments that set aside a percentage of total units for the target populations.

It is important to highlight that Casa Dominguez is able to reserve units for transitional age youth because it was able to secure seven project-based Section 8 vouchers for these units, for a term of 15 years. These vouchers are renewable after the initial 15-year term. To effectively incentivize the development of more projects like Casa Dominguez, a comparable source of rental subsidy or operating subsidy is needed.

To this purpose, the Commission has explored various strategies to create viable units for the target populations, all of which will require Board investment but have a defined term. The strategy that is least costly with greatest stability for tenants involves integrating an operating subsidy program as part of the NOFA process. This proposed operating subsidy would be similar to the MHSA program, which is jointly administered by the California Department of Mental Health and California Housing Finance Agency on behalf of counties.

The MHSA program offers a capitalized operating reserve subsidy for the development of permanent supportive housing for persons with serious mental illness and their families who are homeless or at risk of homelessness. The MHSA program is for a term of 20 years, which means that projects are able to sustain special needs units at extremely low rents for this period. A comparable program by the Commission for the targeted populations will allow early coupling of capital funding with an operating subsidy thereby greatly improving project competitiveness for other funding sources, including tax credits, and reducing the timeline for project completion. Developers would not be dependent on waiting for the availability of funding from existing, but uncertain rental assistance and operating subsidy programs that may or may not materialize. Integrating an operating subsidy program as part of the NOFA process would provide a dependable source of operating subsidy funding and allow the Commission to more efficiently meet the Board's objective to increase housing for the target populations Countywide.

Finally, the Commission recommends that future allocations for housing not be strictly designated for capital or operating subsidy. Instead, funding should be discretionary. In order for the Commission to meet its objective of increasing special need units Countywide it will require flexibility to use funds for capital, operating subsidy and perhaps for onsite services based on the requirements of special needs projects. For this same reason, the 5-year Affordable Housing Plan does not contemplate creating equal funding pools for special needs and non special needs projects. With the flexibility to offer one funding pool that prioritizes units for the target populations, the Commission can better increase the number of units for targeted populations.

Additional information on current challenges facing the production of affordable housing for target populations can be found in Exhibit A. For details on the proposed alternative operating subsidy program please see Exhibit B.

Sustainable Affordable Housing

Along with the need to create stable housing, is the importance of creating healthy vibrant homes that consume less energy and water resources. The Commission has established a track record of impressive sustainable developments as a result of introducing rigorous sustainable design standards in response to Assembly Bill 32 (the Global Warming Solutions Act of 2006), Senate Bill 375 (the land use, transportation and housing legislation) and other California climate change, energy and green building regulations. To support and encourage sustainable affordable housing the Commission has made available an energy efficiency incentive that has leveraged approximately $0.5 million in incentives from programs administered by Southern California Edison and Southern California Gas Company. This amount does not include other rebates and incentives developers have been able to obtain from the California Solar Initiative and Federal Investment Tax Credits for photovoltaic and solar thermal systems. All projects funded under the NOFA process are required to incorporate a minimum level of sustainable building practices and exceed the State's energy standard.

The Commission's 5-year Affordable Housing Plan envisions a renewed commitment to support the County's efforts to reduce green house gas emissions. This includes incentivizing the development of affordable housing in TOD corridors as part of a larger County strategy to reduce green house gas emissions. In addition, the Commission wants to ensure that lower income residents dependent on public transportation can continue to benefit from reduced transportation costs.

Housing NOFA Issuance Timeline

With a 5-year commitment of County General funds the Commission would be able to establish a predictable NOFA issuance schedule which allows adequate lead time for both the Commission and the affordable housing development community. A commitment of funding for a NOFA by Spring is most advantageous given the need to integrate the proposed operating subsidy and include modifications to incentivize units for the target populations. Furthermore, it is vital to set aside adequate time for staff to prepare the issuance of the NOFA, properly oversee the evaluation of proposals, and coordinate the review and approval of proposed projects by an independent review panel. While the First 5 LA and Round 18 NOFAs were completed in compressed timeframes, the usual solicitation process necessitates at least six months from planning to issuance of commitment letters to adequately ensure the integrity of the NOFA and avoid any loss of quality in the process and the final product.

In addition, a fixed NOFA schedule would allow developers time to secure site control, obtain entitlement approvals and receive environmental clearances, all of which are eligibility requirements for submitting a NOFA application. Giving lead time to developers for planning a development project that responds to the NOFA's housing priorities directly impacts the success of achieving an increased number of special need units and mixed population projects throughout the County, as the projects will have adequate time to demonstrate an acceptable level of feasibility.

In connection with establishing a fixed timeline for a 5-year Affordable Housing Plan, the Commission would need to invest in the design and implementation of an online application platform comparable to that used by the California Tax Credit Allocation Committee (TCAC) and the City of Los Angeles Housing Department (LAHD). "Going paperless" will require an upfront investment, but would reduce other costs related to handling hard copy applications for both developers and the Commission.

5-year Funding Plan and Outcomes

Based upon conservative calculations to incentivize the development of at least 50% of all units for the target populations, an annual allocation of $34.7 million will serve to develop a minimum targeted estimate of 900 new units of affordable housing with supportive services and high standards of sustainability over the next five years. Approximately 450 of these new units will be occupied by the target populations.

Table 1

Housing Development Funds	Total Per Year	5-Year Total Funding
Affordable Housing Fund	$19,600,000	$98,000,000
Operating Subsidy Program	$10,530,000	$52,650,000
Administrative Costs (15%)	$4,519,500	$22,597,500
Total*	**$34,649,500**	**$173,247,500**

* Capital funds includes amount for incentives listed in Table 4.

Table 1 illustrates that capital funds for affordable housing, with special emphasis on units for the target populations, will be offered in conjunction with an operating subsidy. The estimated breakdown of capital and operating subsidy is based on current projections but may be modified in order to produce an equal number of homeless-special need and non-special need units.

Table 2

Estimates	Per Year	5-Year Total
Projects	6	30
Est High Range Total Units	270	1350
Est Low Range Total Units	180	900
50% of Total Units (All Operating Subsidy Units)	90	450

Table 2 provides the high and low range of estimated number of units that will be funded annually and over the 5-year period. At a minimum, 6 projects would be funded each year for a approximately 180 units. Given the uncertainty in the economic landscape, the Commission expects to return to increased per project subsidy amounts consistent with those made in 2010 and 2011. Also, the total number of units produced per year may reach 270 or more. To increase total units for the target populations, 90 units will require some form of operating subsidy or rental assistance.

Table 3

Operating Subsidy Program	Per Year	5-Year Total
Operating Subsidy Units	90	450
Operating Subsidy Term (years)	20	-
Est. Annual Per Unit Subsidy	$5,850	-
Total Unit Subsidy For 20-year Term	$117,000	-
Operating Subsidy Program Offer Per NOFA	$10,530,000	$52,650,000
Affordability Level	30% AMI	30% AMI

Table 3 provides the basic terms of a proposed operating subsidy program for 90 units for the targeted populations. This operating subsidy would provide an estimate of $5,850 a year per unit for a term of 20 years. The exact amount will vary depending on family income and unit size. See Exhibit C Alternative Operating Subsidy Program for details on the mechanics of this proposed program. At the end of the 20-year term, the developer and long term owner may need to increase rents if it is not able to secure another source of operating subsidy or rental assistance.

Table 4

Monetary Incentives	Per Year	5-Year Total
Health Clinics	$200,000	$1 M for 5 projects
Licensed Child Care	$200,000	$1 M for 5 projects
Energy Efficiency Incentive	$150,000	$4.5 M for 30 projects
Gray Water System	$50,000	$0.8 M for 15 projects
Total	**$600,000**	**$7,250,000**

Table 4 lists the monetary incentives for enhanced onsite services and sustainability practices that can be made available through the NOFA process in order to encourage high quality developments such as Casa Dominguez. The health clinic and child care incentives are to assist with the planning, design, and coordination with service providers. In addition, these incentives can be used to leverage other funding sources such as the Healthy Futures Fund. More information on this funding source is provided below in Status of Housing Funding Resources.

In addition, the Commission has successfully made available the Energy Efficiency Incentive since 2009 and, to date, 13 projects have or will exceed the California energy standard. In addition, in 2011, incentives were introduced to increase water conservation efforts resulting in at least seven projects that have or will be incorporating gray water irrigation systems. These sustainable strategies help reduce operating costs and thus the need for less operating subsidy.

For the next five years, the above monetary incentives will allow the Commission to assist with the development of at least 30 energy and water efficient housing projects, of which between five and ten will include integrated health services and/or child care facilities.

Status On Housing Funding Resources

With the dissolution of State redevelopment agencies and Federal sequestration, the financial climate continues to be volatile and uncertain for affordable housing developers. The Commission maintains a limited flow of funding sources, such as, HOME, CDBG, Housing Choice Voucher, and Veteran Affairs Supportive Housing vouchers. These funds are expected to be reduced again in 2013.

A hopeful signal is the release of a Notice of Funding Availability for $46.0 million by HCD on February 7, 2013 for its Multifamily Housing Program (MHP). This is a statewide competitive initiative that provides capital funds to assist with the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. MHP is awarding bonus points in this solicitation to projects that target the special needs populations of persons with developmental disabilities or homeless veterans. Although the amount is subject to change, it is also anticipated that HCD may make available approximately $50.0 million in grants for TOD and Infill projects. These are important resources that developers can leverage for affordable housing projects throughout the State of California that will offset some of the losses.

The anticipated TCAC grant to the City of Los Angeles of its own tax credits for allocation, instead of having City of Los Angeles projects compete with other projects from Los Angeles County for tax credits, provides potential additional funding and collaboration opportunities for the Commission, while also promoting greater regionalization of tax credit projects throughout the County. TCAC's policy change could offer an opportunity for the Commission to promote and leverage the goals of its 5-year Affordable Housing Plan.

Other funding opportunities include the Healthy Futures Fund for affordable housing projects that incorporate a Federally Qualified Health Clinic. Earlier this year, Morgan Stanley, The Kresge Foundation and the Local Initiatives Support Corporation (LISC) announced the launch of a $100.0 million fund designed to link health care and affordable housing. The initiative will increase coordination between health care providers and housing developers and connect with social services in underserved communities. The Fund will contribute to the expansion of health services for the estimated 20 million new health care consumers that the Patient Protection and Affordable Care Act is anticipated to create.

Future housing NOFAs will continue to encourage developers to leverage other funding sources for affordable housing from Federal, State, and local municipalities including First 5 LA funds and rental subsidies. The Commission continues to explore new opportunities for leveraging designated monies such as the Healthy Futures Fund, incentives for energy efficiency and renewable energy as well as grants from foundations. Together these resources will prompt greater investment and collaboration among agencies. Developers, health and social services providers and utility companies all have a stake in creating sustainable affordable housing with supportive services for the targeted populations as well as senior and family households.

ECONOMIC DEVELOPMENT IMPLEMENTATION STRATEGY

Many of the Commission's strengths and core competencies are in place to implement an economic development implementation strategy that prudently uses a portion of the former redevelopment funds that are now collected by the County. Commission economic development staff have expertise in managing all of the complex and interrelated legal, financial, planning, regulatory, community outreach, construction and lease up aspects of commercial and mixed-use development projects. Experience with Federal and State acquisition and relocation requirements assists in implementing these projects. The Commission provides a fully integrated set of lending, construction, environmental and lease up services generally uncommon to a public agency, but which operate seamlessly. The Commission has acted as a public lender with direct access to our Construction Management Division for design and construction management oversight and our Environmental Services Unit for the important elements and timing of environmental clearance and mitigation requirements. To ensure that jobs created go to qualified local residents and the appropriate wages are paid, our Labor Compliance Unit monitors prevailing wage, Section 3 and local hiring requirements, as needed.

Economic Development NOFA

Similar to the format of the NOFA for Affordable Multifamily Rental Housing, a NOFA is recommended for economic development projects that create revenue for the County and jobs for its residents. Unlike the Housing NOFA that is targeted at specific tenant populations throughout the County, the Economic Development NOFA is targeted at new construction or rehabilitation/renovation projects and loans for job creation and business expansion. The projects can include commercial, industrial, or mixed use buildings and, in some instances, may be paired with affordable housing funds.

The Economic Development NOFA would be implemented each year to assist with blight mitigation projects, particularly those with funding gaps resulting from the dissolution of redevelopment agencies. The NOFA criteria would include factors such as location near transit stations, jobs created, wage levels, growth industries, export potential, revenue generated for the County, preservation of industrially-zoned land, leveraging of funds, project readiness, development team experience and a local hiring plan. The NOFA guidelines could also stipulate that funding would be split for projects in cities and unincorporated communities. The overall goal is to create a stable and sustainable source of funds with which to implement economic development activities. An Economic Development NOFA would require approximately $15.0 million for an initial pilot project.

Table 5

Economic Development Funds	Geography	Total Funding
Economic Development NOFA	$15M Countywide	**$15,000,000**
Small Business Development	$2M per Sup. District	**$10,000,000**
Transit Oriented Development	Countywide	**$5,000,000**
	Total	**$30,000,000**

Table 5 includes $2.0 million in general economic and business development funding per Supervisorial District, which when added to the NOFA and TOD initiative, brings total Economic Development funding to $30.0 million. The Commission recommends allocating $2.0 million per Supervisorial District for directed economic development initiatives, based on needs identified within each District in support of small business development. Support for small business development in the County spans a number of areas because the needs of small businesses are diverse. The Commission would work with the Districts to allocate economic development funding for new initiatives or the continuation, and in some cases expansion of current small business development programs. Depending on the identified economic activity, the funds allocated to each District could also leverage funding from HUD, Metro, the Environmental Protection Agency (EPA) and the Economic Development Administration (EDA).

Small Business Development Initiatives

The Community Business Revitalization (CBR) initiative revitalizes older commercial corridors in order to bring goods, services, and jobs to disadvantaged communities. The CBR program provides grants and technical services to business and property owners to improve storefront facades along designated commercial corridors. Eligible improvements are those made to the exterior of the commercial buildings only.

The commercial lending program provides small and medium-sized businesses with financing for a range of business needs, including: business and job expansion and development; equipment and machinery purchases; land acquisition; working capital; technology start-ups; construction; and utility improvements. The Commission also administers the County Float Loan Program and HUD Section 108 Loan Guarantee Programs.

In addition to the above, the Commission is currently engaged in the development of a comprehensive economic development strategy (CEDS) for the County. The CEDS will allow the Commission to apply for new funding from EDA and to consolidate current revolving loan programs, pooling our funding resources to align loans with demand.

Within the Commission's overall commercial loan program, increasing the availability of micro loan and business loan funds is planned. This would be accomplished and folded into the Commission's existing loan infrastructure. Underwriting for a more flexible business loan program would remain the same as the Commission's existing loan criteria and approvals would mirror the existing programs. The only difference would lie in the flexibility of the program and increasing the speed by which a business could access loan funds. Because of the smaller value of the loan instrument, the micro loan program would have less stringent underwriting criteria, but would proceed through the established internal approval process and approval by the Commission's loan committee.

The BTC, one of the largest business incubators in California, will continue to assist early stage high technology companies through its comprehensive programs. In thirteen years of operation the incubator tenants have created over 1,800 jobs and received over $200 million in private funding.

The State Enterprise Zone program provides targeted areas with a means to stimulate business growth and attract new companies, jobs, and private investment. Businesses located in an Enterprise Zone are eligible for State tax incentives that can substantially reduce their cost of doing business. The Commission administers the unincorporated County portions of the East Los Angeles and Harbor Gateway Enterprise Zones, and is a partner in the Antelope Valley Enterprise Zone.

Reviving the LA BOOST program would further assist small companies and entrepreneurs. LA BOOST provided a virtual business incubator (incubator without walls) for start-up businesses located in unincorporated County communities. These start-ups are assisted with a variety of professional, technical and financial programs. LABOOST also conducts workshops targeted for small businesses.

Leading the formation of Business Improvement Districts (BIDs) will likewise target deteriorated or struggling business areas. BIDs are defined as areas in which business or land owners pay an additional tax or fee in order to fund services or improvements within identified boundaries. BID services supplement those already provided by the County and can include street cleaning, providing security, making capital improvements, construction of pedestrian and streetscape enhancements and marketing the area. The Commission had a successful history with the Florence Avenue Property and Business Improvement District and could implement the BID process in other areas of the County.

Workforce development and increasing employment are cornerstones to a successful and vibrant economic landscape. The Commission could expand partnerships and linkages to the Workforce Investment Board and WorkSource Centers whose job training programs and hiring programs connect employers and economic development projects with the local workforce and educational initiatives. The Commission has successfully reached out to our jobs partners for assistance in job fairs for new developments, assistance in pre-screening potential employees for businesses located in Enterprise Zones and job training referrals. With new and expanded economic development programs, these job partners will return an integral part of the implementation plans.

To supplement development funding, the Commission would also access the New Markets Tax Credit (NMTC) program. The purpose of this program is to foster private investment into business entities and community/real estate development projects located in traditionally distressed and underserved communities. The primary intent of NMTCs is to facilitate economic and community development in qualifying census tracts, known as low income communities, through the creation of jobs and the provision of services. The program typically delivers approximately 20% of a project's costs as equity, reducing the overall funding need.

Lastly, the Commission recommends supporting the County's industrial development bond program that is administered by the Treasurer and Tax Collector. These bonds could be offered as an incentive to industrial companies to remain and expand in the County, which would create and retain jobs and promote economic activity.

CONCLUSION

The Commission is seeking $64.7 million per year for the next 5 years in order to implement both our affordable housing and economic development implementation plans which are expected to bring opportunities for the Commission and the County of Los Angeles to recalibrate programs and policies better suited to a vibrant and sustainable future for all our residents and their communities. Table 6 provides a breakdown of the proposed funding request for each of the implementation plans. In the event that additional funding is made available, the Commission would allocate funding towards other housing programs outlined under Exhibit C.

Table 6

Housing and Economic Development Framework	Total
Housing Development Funds	$34,649,500
Economic Development Funds	$30,000,000
Total	**$64,649,500**

EXHIBIT A
BACKGROUND ON AVAILABLE RENTAL SUBSIDIES

For the Commission to attempt to increase production of target population units, it is critical to include some form of rent subsidy program as part of a 5-year Affordable Housing Plan. Special need projects are particularly complex deals that are not financially feasible unless they include a long-term operating subsidy or rental assistance. Thus the critical barrier to increasing the number of units built in the County is the limited resources available for rent subsidies. The proposed alternative program will minimize a large backlog of potential projects competing for the same limited sources of operating subsidy and rental assistance. The alternative programs will also reduce the number of developments that defer maintenance.

Table 7

Rental Subsidy	Source	Term	Status of Funding
Shelter Plus Care (rental assistance)	Federal	1 year; annual renewal	Diminishing (approx. 75 annually via LAHSA)
Mental Health Services Act (operating subsidy)	State	20 years	No ongoing funding

The rental assistance and operating subsidy sources listed in Table 7 are determined and allocated at the Federal and State levels. The availability of these resources is diminishing despite the large number of homeless families and individuals in the County. Rental assistance vouchers made available by HUD to Housing Authorities throughout the County are at risk of cutbacks. With diminishing resources and support at the Federal and State levels, it is increasingly apparent that an effective affordable housing plan must rely more on local policies and resources. Consequently, the opportunity at hand for the Board is to use a portion of the residual funds for a new operating reserve program that will enable the Commission to assist in the development of new housing units with supportive services for the County's most vulnerable residents.

Recently, the Coalition for Supportive Housing website featured an article entitled *Massachusetts Announced Statewide Collaborative Effort to Create 1,000 units of Supportive Housing by 2015.* In addition to boosting capital funds to construct and preserve more affordable housing, the State dramatically increased funding for its rental assistance programs from $276,000 to $8.7 million for transitional rental assistance and $6.0 million in additional funds for a rental assistance voucher program. The Massachusetts' long-range action plan is ambitious because it addresses the need to subsidize rents.

EXHIBIT B
ALTERNATIVE OPERATING SUBSIDY PROGRAM

The Commission's annual allocation request includes $10.5 million in funding to offer an alternative operating subsidy program with a term of 20 years to support the operations of projects that incorporate an estimated 90 units a year for the target populations. With an operating subsidy program fashioned after the MHSA program, the Commission would set aside funds for the purpose of supplementing income for the payment of operating expenses. That is, a capitalized operating subsidy reserve would be set up, at completion of project construction, for the purpose of annually funding the precise amount needed in order to meet operating expenses associated with the special need units. On an annual basis, the Commission would review and approve the disbursement of funds and reconcile budgets. The MHSA model provides the advantages of being well established, time-tested and less costly than the traditional project-based rental assistance program.

In addition, in the event that Federal and State resources become available, projects would be required to substitute subsidies thereby reducing the amount of local operating subsidy needed over the term of the program. Furthermore, a 20 year term provides for the best interest of tenant stability and long term project feasibility in the midst of economic uncertainty. This would also ensure that the Board's capital investment in special need projects is protected for 20 years.

Prior to implementing this significant change, the Commission will obtain stakeholder input from developers, lenders and investors alike.

Preliminary operating subsidy program parameters:

- Annual offer for this subsidy should correspond with the capital funding offered in order to properly ensure the financial feasibility of projects funded by the Commission and reduce the processing time associated with securing an operating subsidy from established sources.
- This subsidy would only be available for units set aside for target populations earning at or below 30% of Area Median Income (AMI).
- This subsidy would be made available through the NOFA process.
- This subsidy would be available for projects located Countywide which would encourage the regionalization of units for target populations.

EXHIBIT C
OTHER HOUSING PROGRAMS

Multi-Family Rental

Multifamily Bonds
Economic and Housing Development Division (EHD) oversees the Housing Authority's role as conduit issuer of multifamily taxable and tax-exempt housing mortgage revenue bonds for qualified developments located in the Unincorporated area of Los Angeles County. Priority projects are those that will be instrumental to neighborhood turn-around, provide significant public benefit, preserve existing affordable housing, and demonstrate readiness to use the allocation within the time frame required.

Affordable Rental Housing
The Division administers Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME Program), City of Industry, and Neighborhood Stabilization Program funds to finance the development of Special Needs, affordable rental and for-sale housing. These funds are utilized to create affordable housing opportunities for low-income households within the Unincorporated County areas and in cities participating in the Commission's Urban County Program.

HomeOwnership

Home Ownership Program (HOP)
This program provides deferred "soft second" loans for low-income (income does not exceed 80% of the area median income) first-time homebuyers to assist with the purchase of existing homes within the Unincorporated areas and participating cities.

Mortgage Credit Certificate (MCC) Program
This program offers first-time homebuyers a federal income tax credit that reduces the federal taxes the certificate holder pays. It also helps the homebuyer qualify for a loan by allowing a lender to reduce the housing expense ratio by the amount of tax saving.

Single-Family Bonds
EHD participates in the Southern California Home Financing Authority (SCHFA), a joint powers authority of Los Angeles and Orange counties. The Division is responsible for overall administrative oversight of SCHFA's Single-Family Bond program. This program provides below market, fixed rate loans to eligible first-time homebuyers.

Preservation

The Single-Family Home Improvement Program (SFHIP)
This program offers 0% interest loans of up to $15,000 to low-income homeowners in the Los Angeles County Unincorporated areas to rehabilitate their homes. The program does not require monthly loan payments, processing fees or appraisal fees. Eligible repairs include roofing, heating, electrical, plumbing, exterior painting and minor code violations.

Residential Sound Insulation Program
The Division utilizes funds from the Federal Aviation Administration (FAA) and Los Angeles World Airport (LAWA) to provide improvements that reduce the exterior noise impact for properties located within the flight path of the Los Angeles International Airport. The Commission enters into Owner Participation Agreements with property owners to secure qualified contractors and complete property upgrades.