



# Financing Considerations for Better Affordable Housing

**Los Angeles County Affordable Housing Solutions Agency**

Prepared for the Greater United Way of Los Angeles  
by James McIntyre, Public Innovate



# LACAHSA

- A tremendous opportunity for affordable housing finance in Los Angeles County
- Collaboration among stakeholders and levels of government is essential
- Needs finance tools, resources, and strong public policies
- Housing is hard, and LACAHSA must be a strong player in the overall housing market



# HFAs

- Housing Finance Agencies (HFAs) have long been means of financing affordable housing and combining resources
- Affordable housing finance is about leveraging public resources
- Typically HFAs issue bonds to finance large multifamily affordable housing
- Bonds can be sold as “stand alone” or in an “open resolution” or “open indenture;” California has largely used stand alone
- **Why Bonds?** Bonds can be a low-cost, long-term funding source, create leverage, and generate programmatic and operating resources

# Open Resolution

Multiple bonds “backed” by multiple mortgages



- Open Resolution bonds are sold and “backed” collectively by mortgages made with the proceeds of the bonds, meaning as buildings pay their mortgage, the bond investors are paid back
- The performance and payback of the mortgages plus other resources, including reserves, comprise the security of an Open Resolution bond indenture
- Credit rating agencies’ point of view on the security determines the bond rating for an Open Resolution
- In an Open Resolution, bond investors do not take individual project risk, rather, they are paid back based on the performance of all projects and all the resources under the resolution
- Generally, HFAs have used tax-exempt bonds to fund large multifamily projects. This requires tax-exempt volume cap but receives as of right 4% LIHTCs
- Taxable and recycled volume cap bonds can be used as well
- Open Resolutions create economies of scale for borrowers accessing capital, as well as streamlined issuance and program administration for HFAs, including fee generation

# Multifamily Lending

## Pipeline and deals require resources

- The most important financing resources are mortgage credit enhancement, project gap financing, and reserves
- Access to gap financing often means policy alignment and allocation of local resources
- Largest, and most comparable to Los Angeles, models of Open Resolution models have been in New York
  - New York City Housing Development Corporation
  - New York State Housing Finance Agency
- Example of large local HFA:
  - New York City HDC has a staff of over 175
  - HDC financed over \$22 billion of assets, including 200,000 units with over \$14 billion in mortgage loans
  - As of its 2022 audited financials, HDC had a net asset position of \$3.7 billion
  - Works closely with NYC Housing & Preservation Dept.

## Active multifamily programs across U.S.

*Executed by State and Local HFAs*



# Other NYCHDC Advantages

## Additional Resources

### Monetary Resources

- Government(s) to Project:
  - Subordinate loans, grant funding, tax-credits, etc.
- Government(s) to Government:
  - Subordinate loans, grants, volume cap, etc.

### Credit Enhancement

- Reserve resources
- Other sources and available monies, excess mortgages, etc.
- Mortgage Credit Enhancement
  - Federal (GNMA/FNMA/FHA, including risk-share)
  - State or Local (REMIC and SONYMA)



# Factors for HFA success



## Product Market Fit

Developing and financing affordable rental units in communities that need them.



## Strong Funding Vehicle & Access to Capital

Open Resolutions and public-private funding vehicles help drive deployment and capital raising at scale.



## Public Policy

Alignment and demand for housing action, political will, local allocation of resources, and strong and supportive board, including politically make for a stronger agency.



## Flexibility

Agencies that can move quickly to create new programs and structures, or act during times of market disruptions are better equipped to solve for market need(s).



## Governmental Collaboration

Close collaboration and un-siloing across different levels of government and across governments needed to create housing solutions. Local government collaboration, i.e land use, permitting, funding, can make developing and funding housing more efficient and less expensive.



## Strong Staffing

Skilled, compensated, and retained staff drive deal flow and solutions.



## Strong Partners

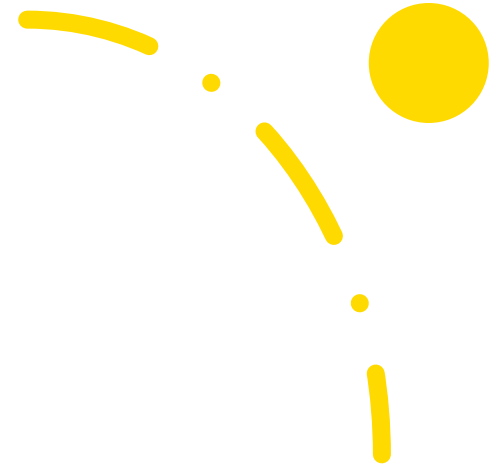
A strong agency is surrounded by strong advisors and counsels. This includes cross-governmental and community partners as well.



## Technology & Data

Market tools are needed to be successful and compete in the real estate finance market.

# Other factors in housing success



## Solve for housing impact

Seeing **housing as healthcare** is a major factor in changing funding streams and human outcomes.

Homeless service contract dollars, mental health monies, hospital sourced gap funding, are all examples of ways to serve patients and communities by connecting health and housing.

# Other factors in housing success



## Building and funding housing together

Don't just **share in the cost** of developing housing, **share in housing's cross governmental benefits**, i.e. fees, income, gap financing, cost avoidance, economies of scale, tax generation, etc.

Sharing of governmental resources can run in all directions.



# Other factors in housing success



## Resources, resources, resources

**HFAs need funding** for both projects and operations, including maintaining general governmental balance sheet strength for flexibility, financing structures, and tools like risk-share or reserves.

# Other factors in housing success



## Ground up development

**Community engagement** through active listening and involvement in project development is essential. Active and locally engaged staff can build lines of communication to communities.

**Trust building is a must.**

# Other factors in housing success



## Changing how we build

Costs of construction are exponentially high and our construction techniques are outdated. LACAHSa can **drive new market standards on sustainability and construction innovation.**

# Other factors in housing success



## Greening what we build and finance

LACAHSa can design climate change adaptation and mitigation into every project, **enhancing community scale change.**

LACAHSa can serve as a financing vehicle for decarbonization, including leveraging Federal dollars recently and soon to be made available.

HFA design guidelines for multifamily projects can change markets.





## Possible Next Steps

- Create / procure core finance and program team for LACAHSAs comprised of staff, advisors and Board committee / designees
- Operationalize an Open Resolution
  - Decide type of housing LACAHSAs wants to finance and design “that” Open Resolution, i.e. NOAH, workforce, regulated, LIHTC, new construction MF, new construction SF, supportive, etc.
  - Design credit rating of Open Resolution to meet type of housing being financed, risk profile of that housing, available credit enhancement, and other available resources.
  - Determine resources and structures for bond program, and other available subsidy / gap financing sources, including cross governmental service contracts, available land, LACAHSAs funds, etc.



## Possible Next Steps (cont.)

- Develop data driven pipeline and ecosystem for project development that fit financing scope and design of Open Resolution and available resources
  - Use existing data, i.e. physical needs assessments, known market gaps, existing deals, etc., to develop roadmap for pipeline. LACASHA needs projects.
  - Target prioritizing pipeline to need and available resources, i.e. taxable small buildings program for NOAH preservation (debt and grant), modular new construction (construction and permanent financing), hospital / health clinic site redevelopment for supportive housing (long-term health service contracts + subsidy); different housing needs different financing.
  - Market transformation. Build more, better housing, faster. Change the game through coordination. Supply, supply, supply.



# Thank you

**James McIntyre, Public Innovate**

[james@publicinnovate.org](mailto:james@publicinnovate.org)