

February 21, 2024

The Honorable Tina McKinnor
Assemblymember, California District 61
Chair, Los Angeles County Legislative Delegation
1021 O Street, Suite 5520
Sacramento, CA 95814

RE: State Budget Request - \$10 Million to Support the Los Angeles County Affordable Housing Solutions Agency

Dear Chair McKinnor:

On behalf of the Los Angeles County Affordable Housing Solutions Agency (LACAHSAs), created by State Bill (SB) 679 [Kamlager], and its Board of Directors, **I write, as Chair, to request support for legislation that would secure a \$10 million grant for seed investment and to fund initial LACAHSAs demonstration projects across Los Angeles County (“County”)**. While we have secured meaningful philanthropic support for our initial operations, and there are parallel efforts to secure voter-approved funding in November 2024, the depth of our countywide crisis calls us to act with urgency and so we propose to use this critical funding in these ways:

- 1. Innovative preservation and production solutions** – LACAHSAs will **design and launch innovative models and/or financing tools** to allow for increased affordable housing preservation and production, expanding choice of housing typologies in different cities and regions across the County based on unique needs of each area. Potential models may include the exploration of social housing development, Welfare Tax Exemption partnership models, community land trusts, and affordable Accessory Dwelling Unit development.
 - Building on this analysis, LACAHSAs will demonstrate its potential through up to **7 pilot projects** across the **key geographic areas** in the County: City of Los Angeles, County unincorporated areas, City of Long Beach, and the San Gabriel Valley, Southeast Los Angeles, South Bay, North County & San Fernando Valley sectors.
- 2. Affordable housing pipeline analysis** – **Real-time data** will allow the region to quantify the number of affordable homes in all stages of development and estimate the gap funding need across the 88 cities and unincorporated areas in the County. The analysis will allow LACAHSAs to develop a **strategic resource prioritization**

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framework to efficiently unlock affordable housing development and equitably allocate funding to projects across the region.

3. **Open Resolution Governmental Purpose Bond Program** and a **Housing Investment Guarantee Program** – Existing private and public financial products are insufficient to meeting the housing needs of the region. LACAHSAs can explore **creating two innovative finance tools** for new, meaningful streams of funding for the construction and acquisition of affordable housing and to unlock additional private and public capital: (i) an Open Resolution Governmental Purpose Bond Program, used by other regional agencies such as the New York City Housing Development Corporation, and (ii) a Housing Investment Guarantee Program, piloted by foundations and mission-driven investors.

As you well know, the County's affordable housing crisis is both urgent and expansive. The need for affordable and stable housing impacts the 10 million residents across the County's 88 cities and unincorporated areas, and the crisis can only be solved by the entire County coming together to invest in proven solutions. LACAHSAs was created for this purpose: as outlined in its founding legislation, SB 679, LACAHSAs is a countywide agency focused on affordable housing production, preservation, and renter protections.

LACAHSAs brings an unprecedented, regional approach to solving the crisis, as its Board is comprised of all five County Supervisors, the Mayors of the Cities of Los Angeles and Long Beach, elected representatives from other regional sectors, and expert representatives on key housing issues. LACAHSAs is also empowered by its legislation to enable innovative financial tools and development strategies that will produce and stabilize affordable housing at the scale required to truly move the needle at the regional level.

LACAHSAs officially launched in April 2023 and the Board has hit the ground running over the past ten months. Key milestones include my election as inaugural Chair, the establishment of ad-hoc committees, the development and passing of the agency's bylaws, and the approval of the agency's initial outcome goals framework. The search process for an Interim Chief Executive Officer has also launched, as well as a consultant-led process to help develop LACAHSAs's initial policy priorities. Thus far, the agency has acquired \$1.3 million in philanthropic funding, as well as a \$660,000 tentative grant from the Southern California Association of Governments' REAP 2.0 program (grant funding on pause due to potential REAP 2.0 funding cuts in the Governor's State Budget Proposal).

As we look to the future, a coalition of advocates across the County have come together over the past year to initiate a citizens' initiative effort to qualify and pass a proposed ballot

measure in November 2024. The proposed ballot measure aims to use goals-based accountability to fund the County's comprehensive homelessness response system as well as invest in new strategies to address street encampments, prevent homelessness, and create affordable housing. The ballot measure, if passed, would provide LACAHSAs with over \$430 million annually to fulfill its mandate: protecting tenants and producing and preserving affordable housing.

In advance of this potentially transformative funding stream, LACAHSAs must urgently prepare and position itself to deploy funding at scale beginning in 2025. Given LACAHSAs's currently limited funds, there is a pressing need for **bridge funding from the State to build LACAHSAs's infrastructure capacity and develop initial pilot programs**.

The request could be funded by a modest contribution from the General Fund or other funding sources available for affordable housing – similar to the investment made in the Bay Area Housing Finance Authority (BAHFA) during its startup phase.¹ LACAHSAs's board, in partnership with its Interim CEO and other interim staff members and/or consultants, would steward the funds towards the outlined key activities.

The Board of LACAHSAs has approved this State Budget Request and advocates for this funding as a key priority for the region. In partnership with the State, we believe we can meaningfully and strategically work together to solve this crisis in Los Angeles County.

Sincerely,

Holly J. Mitchell
Chair, Board of Los Angeles County Affordable Housing Solutions Agency
Supervisor, Second District
Los Angeles County Board of Supervisors

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Enclosure – Summary of Proposed Budget Request -- \$10M.

cc: Members of the Los Angeles County State Legislative Delegation

¹ Through the State of California's Budget Act of 2021 (Assembly Bill 128 of 2021; SEC. 273), the State Legislature, acting through the California Department of Housing and Community Development (HCD), awarded \$20 million in grant funding to BAHFA for the purpose of developing programming for BAHFA, including hiring BAHFA staff.

Summary of proposed budget request – \$10M.

Program areas	Key deliverables	Budget	Budget notes
1. Development of innovative preservation and production solutions	<ul style="list-style-type: none"> • 1.1: Menu of Preservation and Production Solutions • 1.2: 1-2 Deeper Program Designs • 1.3: 7 Pilot Projects 	\$7,500,000	<ul style="list-style-type: none"> • \$500K – consultant or staff to implement scope • \$7M – investment in seven pilot projects (~\$1M / project, one project per geographic area)
2. Analysis of affordable housing pipeline and development of resource prioritization framework	<ul style="list-style-type: none"> • 2.1: Affordable Housing Pipeline Analysis • 2.2: Resource Prioritization Framework 	\$500,000	<ul style="list-style-type: none"> • \$200K – consultant to complete pipeline analysis • \$300K – staff members or consultant to develop equity framework for resource allocation
3. Development of an Open Resolution Governmental Purpose Bond Program and a Housing Investment Guarantee Program	<ul style="list-style-type: none"> • 3.1: Feasibility and Best Practices Reports • 3.2: Actionable Implementation Plans for Open Resolution Governmental Purpose Bond Program and Housing Investment Guarantee Program 	\$1,500,000	<ul style="list-style-type: none"> • \$250K – consultant to complete initial research & reports • \$1.25M – staff members or consultant to develop actionable implementation plans for an Open Resolution Governmental Purpose Bond Program and a Housing Investment Guarantee Program
Overhead rate		\$500,000	<ul style="list-style-type: none"> • 20% overhead rate – applied to all program staff and consultant costs. Overhead rate accounts for general shared costs such as senior leadership time (e.g., Interim CEO), admin, finance, & communications costs
Total		\$10,000,000	