



The Curve - West Angeles CDC

LSC LOS ANGELES

**SUPPORTING
AFFORDABLE
HOUSING OWNERS
DURING COVID-19
A TOOLKIT FOR LOCAL GOVERNMENTS**



BACKGROUND

Dear Partner,

As the spread of COVID-19 in the US continues to intensify, our thoughts are with those who have been impacted on a personal, community, and business level. We have been listening to multifamily affordable housing owners and developers and we have developed a toolkit of best practice responses for local governments to deploy.

We offer our partnership to local cities as they aim to assist affordable housing owners. We know that this health and economic crisis is particularly stressful on our lowest income households, with many unable to pay rent now and in the coming months. This economic stress will also be particularly damaging to our affordable housing developers and owners, especially those properties that are unsubsidized, to cover monthly mortgage payments, critical social services, and other operating expenses.

Based on our research, we have seven recommended areas that local governments can focus on right now to support their affordable housing developers and owners: defer all payments, lead state policy advocacy agenda, provide property tax relief, form partnerships, preserve existing affordable housing, and streamline new construction. With this document we offer several policy agenda ideas for consideration. We look forward to continuing to highlight innovative solutions as they come to light. Thank you and be well.

Warm Regards,
Tunua Thrash-Ntuk

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1 Defer all payments

Unemployment has reached extraordinarily high levels, making it difficult for renters to make their monthly rent payments and as a result, difficult for owners to be able to make their mortgage payments. Therefore, we recommend deferring and/or reducing all payments due to the municipal mortgage holder from affordable housing owners, both deed restricted affordable housing and naturally occurring affordable housing (NOAH), owners until 2021 or beyond.

This includes:

- *Reduction of utility and sanitation bills, taxes, and other municipal fees*
- *Municipal sponsored mortgages should be deferred, put into forbearance, have maturity dates extended, or restructured in another way that doesn't anticipate a large lump sum payment from owners.*
- *Residual receipt payments should be suspended or forgiven rather than deferred if there is a rent shortfall so owners can cover rent losses and expenses during this crisis.*

Skid Row Housing Trust - Crest Apartments



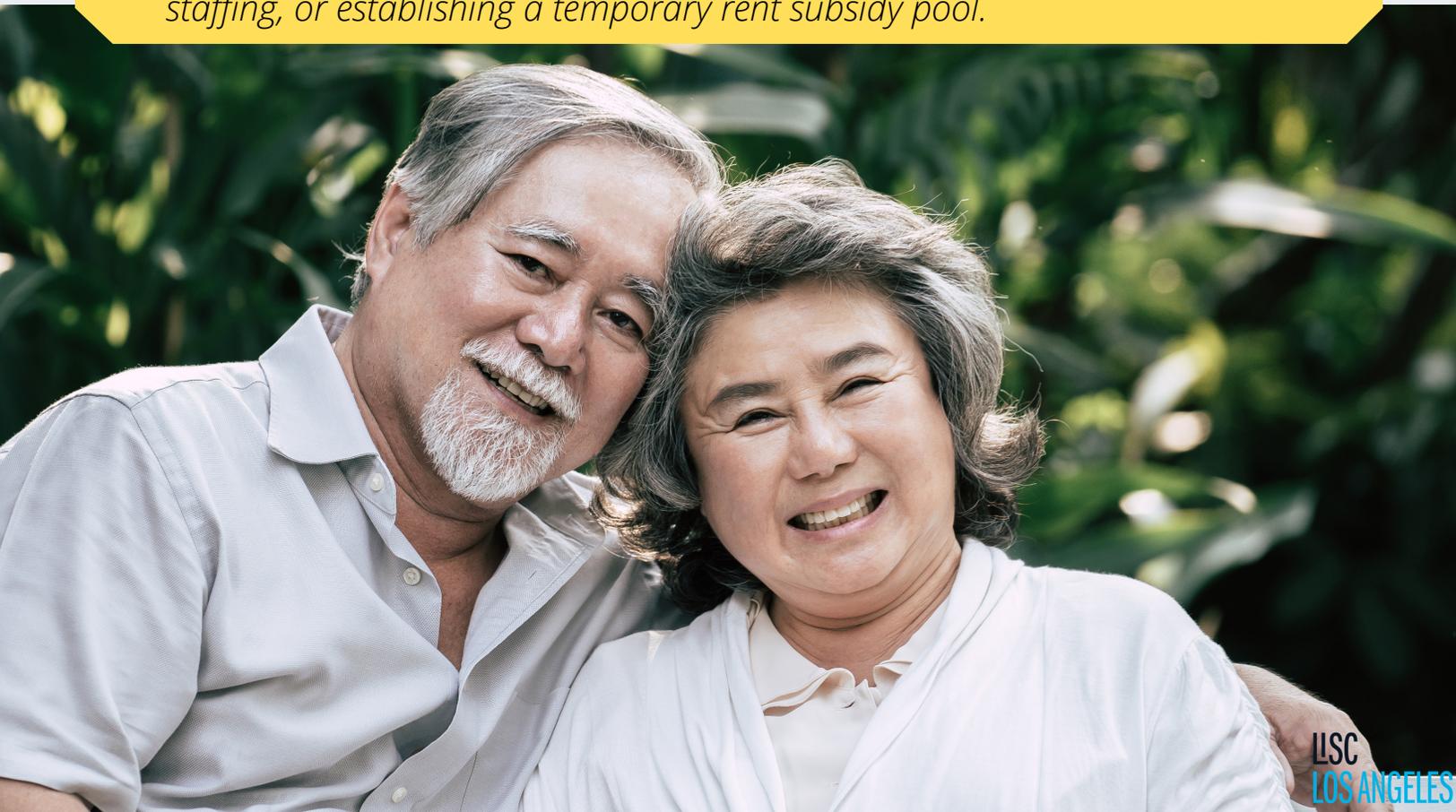
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2 Lead policy advocacy agenda

Some restrictions placed on affordable housing, and in particular those prescribed by the state, can be onerous during these unprecedented times. We need cities to have a coordinated voice that leads policy efforts on the state level that advocates for loosening of some of those restrictions. Local jurisdictions can advocate to California State Legislature and housing agencies (for example CA Department of Housing and Community Development and others) for specific policies that can assist their local affordable housing owners and that are not detrimental to the health and safety of the property and its residents.

For example:

- *Temporary flexibility of required social services if owner is unable to cover the costs.*
- *State agency funders that require replacement or operating reserve deposits or are repaid through residual receipts should allow owners to flexibly use those funds to cover operating expenses such as maintenance, cleaning, staffing, or establishing a temporary rent subsidy pool.*



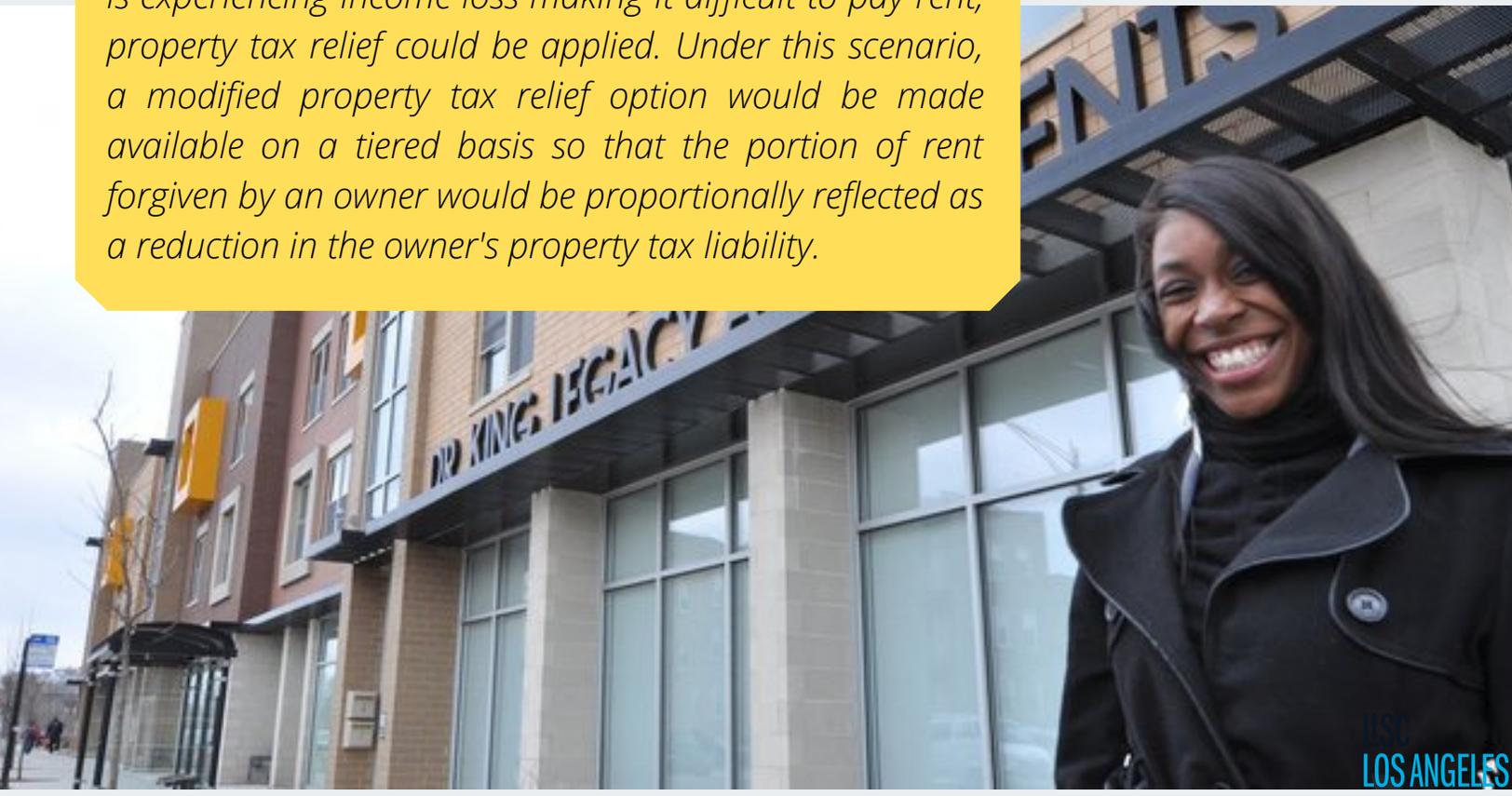
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3 Property Tax Relief

Local jurisdictions can look for ways to encourage private owners who are willing to work with tenants to provide relief, reduction, or modification of their rent payments. One way jurisdictions can encourage commitment and cooperation between tenants and owners is to provide a property tax incentive to owners who can demonstrate that they are providing rent relief for any non-welfare exempted or commercial space operated within a mixed-use development. Temporarily property tax relief would ease the overhead burden on those units and help owners invest in maintenance, capital improvements, and repay hard and soft loan obligations to mortgage holders and public agencies.

For Example:

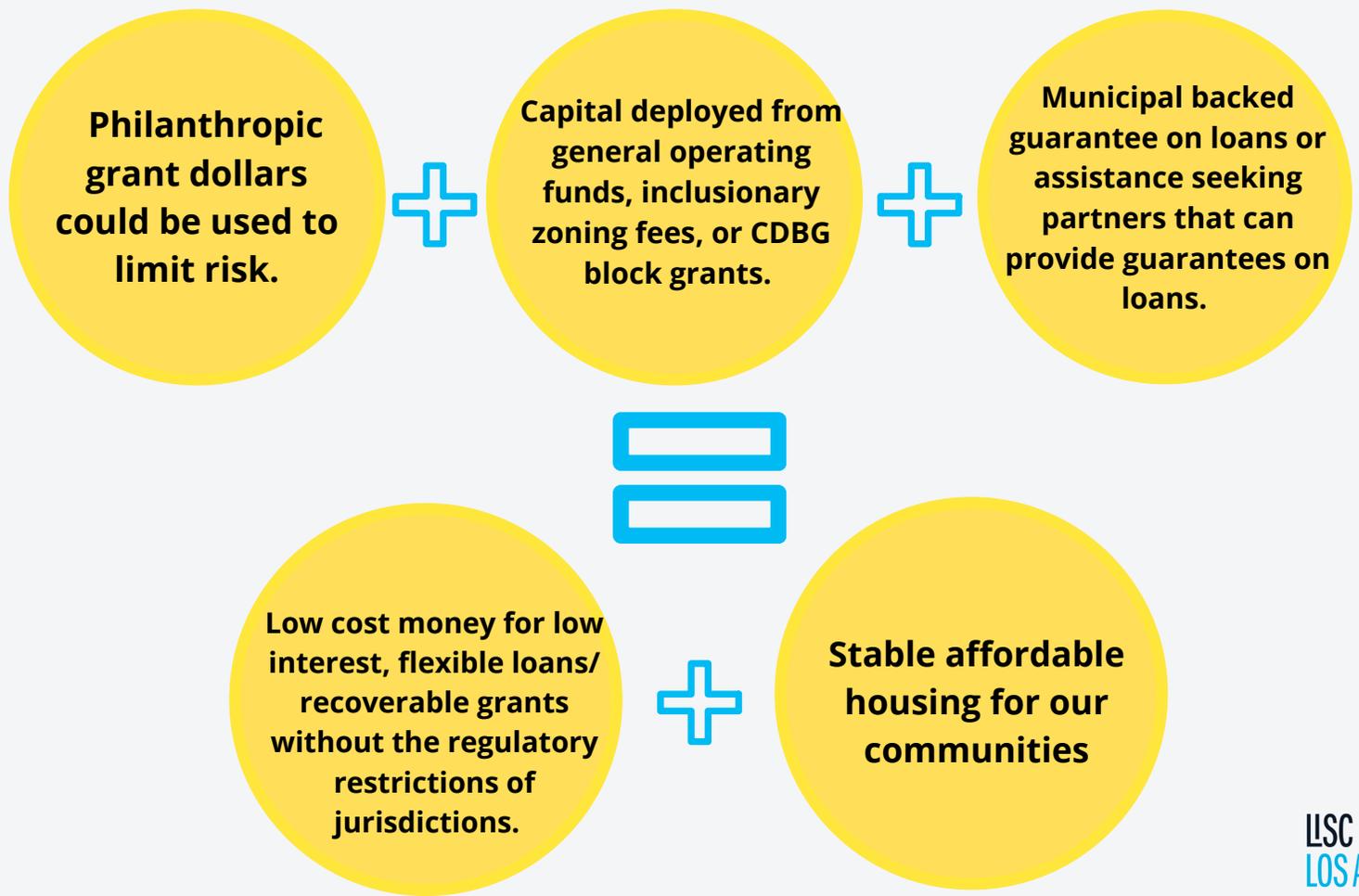
When a property owner does not already have property tax relief through a Welfare Exemption but a residents' income is at or below 140% AMI, or a commercial tenant is experiencing income loss making it difficult to pay rent, property tax relief could be applied. Under this scenario, a modified property tax relief option would be made available on a tiered basis so that the portion of rent forgiven by an owner would be proportionally reflected as a reduction in the owner's property tax liability.



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4 Form public-private partnerships

Without regular income coming in from rent, we still want to ensure that housing stays safe, decent, and affordable. We also know some owners are not able to secure PPP and other federal relief. In order to maintain current affordable housing stock, it's imperative to arm owners with resources now to keep them operating quality housing. Affordable housing owners and small mom and pop owners need mortgage relief. Local governments can partner with CDFIs and other community-minded lenders to develop a product that helps owners with cash flow as they wait for rent to be repaid. In addition to deploying low or no cost loans directly, local jurisdictions could partner with CDFIs to rapidly deploy very low cost loans and/or grants to affordable housing owners to fill the gap of lost rental income that is needed to continue paying operating expenses.



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5 Rent, mortgage, and operating expense assistance

While necessary work is being done on the local and state levels to prevent our most vulnerable neighbors from being evicted during this time, we need to provide more options for affordable housing owners, particularly those whom operate housing that is not subsidized, to cover their mortgage and operating expenses.



Creative Solution:

One affordable owner is helping its residents in other ways such as providing groceries and meals, freeing up cash for rent. Let's find ways to help owners help their residents.

Local jurisdictions can assist those owners by:

- *Establishing a mortgage matching fund to help owners cover mortgage payments while they are not collecting all rent.*
- *Establishing a back rent fund to cover any lost rents.*
- *Leveraging new CDBG funding to assist affordable housing stabilization*
- *Leveraging municipal purchasing power: municipalities have a unique opportunity to reduce operating costs for affordable housing owners by using their purchasing power mechanisms to procure cleaning supplies, personal protective equipment, and paper goods at a reduced cost. Those savings could be passed on to owners through a collaborative purchasing arrangement.*

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6 Expedite Housing Now

The affordable housing crisis was dire prior to COVID-19, and it will only be exacerbated as residents, developers, owners and jurisdictions are further economically impacted as a result. Not only are affordable housing owners seeing decreases in their revenue from rent, but they are also going to see a major reduction in developer fees as construction slows, which ultimately impacts their ability to continue developing affordable housing. We are calling on jurisdictions to **Expedite Housing Now**. This means:

Local government leaders should establish a city-wide task force with key members who touch affordable housing. This task force should meet weekly to address issues in order to streamline affordable housing construction and continue to innovate and push the process forward. This is a solution that will speed up the development process which will save valuable public capital resources and allow our most vulnerable neighbors to be housed rapidly.

El Nuevo Amanecer - East LA Community Corporation



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7 Preserve Housing Now

Some owners of naturally occurring affordable housing will not be able to hold onto their properties. Cities are encouraged to help acquire small multifamily rental buildings that have traditionally been made affordable to working families if they are at risk of being sold and converted to market rate housing. With this kind of action, jurisdictions will help to protect long term affordable housing throughout their regions. Some cities have successfully worked with non-profit and for-profit mission based owners to quickly remove these sites from the market by facilitating their purchase thereby permanently ensuring their affordability.

Best Practice Spotlight
San Francisco Mayor's Office
of Housing and Community
Development's Small Sites
Program



GLOSSARY

Area Median Income (AMI): 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by The Department of Housing and Urban Development (HUD).

Community Development Block Grant (CDBG): Federal funding that allows communities to carry out flexible, locally designed comprehensive community development activities.

Community Development Financial Institution (CDFI): Private financial institutions that are dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disinvested people and communities.

Deed-restricted: A deed restriction is a legal document that places limitations or restrictions on real estate. In affordable housing, a deed restriction may be placed on a property to preserve the units for low-income individuals or families.

Linkage Fees: Are a type of impact fee assessed on new market-rate and commercial developments. Revenues generated by the fee are used to help fund the development of affordable housing.

Mixed-Use Development: A building or group of buildings that combine multiple uses such as apartment units and retail space.

Municipal Sponsored Mortgage: Low-cost public loans made to qualifying properties to build or renovate affordable housing.

Naturally Occurring Affordable Housing (NOAH): Units that are affordable without a public subsidy.

Operating and Replacement Reserves: Funds set aside on a regular basis for future risks or expenses. The replacement reserve covers replacement of major items that occur infrequently such as HVAC and windows. The operating reserve would cover the property's operating expenses if necessary because of lower than expected operating income from rent.

Paycheck Protection Program (PPP): A loan program designed to provide a direct incentive for small businesses to keep their workers on payroll.

Residual Receipts: The amount remaining in the annual operating budget after calculation of net cash flow (income less expenses). Often municipal sponsored loans are repaid out of net cash flow and referred to as residual receipt loans.

Subsidized Affordable Housing: Housing where the monthly costs to the tenants are subsidized by federal, state, or other programs.

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