

Responses to Prop HHH Request for Information

A. Background

Pursuant to the Proposition HHH Citizens Oversight Committee (COC) recommendations to the Council and Mayor, issued on November 9, 2018, the Mayor's Office and the Los Angeles Housing and Community Investment Department (HCIDLA) released a Request for Information (RFI) to give stakeholders the opportunity to share their ideas about how the City could better implement the Proposition HHH Supportive Housing Program. The window for collecting information was open from December 20, 2018 to January 8, 2019.

This survey included three components: a section requesting information about what organizations the respondents represent and the sectors they work in, a section asking four open-ended questions about how the City could improve the Proposition HHH Program, and a 10 question survey that included a mix of multiple-choice and short, open-ended questions about the City's performance on the implementation of Prop HHH. The specific content of these questions can be found in the list of responses below.

B. Characteristics of the Respondents

A total of 34 organizations responded to the RFI. The plurality (41.7%) were developers who primarily focus on affordable housing. About 53% were developers, including those focused on affordable *and* market-rate housing. Service providers provided the second largest share of responses at 22.2%. Most of the other 29.5% of responses were contributed by land-use professionals (13.9%), construction firms and contractors (11.1%), and property management firms (8.3%). The City received one or two responses from the following types of organizations: architects, members of the public, public sector partners, academics, real estate financiers, community development financial institutions (CDFIs), trade organizations, homeless services nonprofits, media, business advocacy organizations, consultants to affordable housing developers, affordable housing advocacy organizations, and the US Department of Energy's National Renewable Energy Laboratory (NREL).

C. Highlights from Open-Ended Responses

Below is a brief summary of the most common responses to the four open-ended questions in the Request for information.

1. The most common comment was that the City's permitting processes should be streamlined. While different commenters offered different ideas about how to do this, adding staff who specialize in shepherding PSH projects through the approvals process were popular concepts.

Analysis. The City has begun to implement a variety of permitting streamlining initiatives through other programs in the Departments of Building and Safety and City Planning. For example, the Mayor's Executive Directive 13 established the Mayor's Affordable Housing Cabinet and gave priority case processing in DCP and DBS to major affordable and supportive housing projects. Similarly, the Transit Oriented Communities program and Permanent Supportive Housing

Ordinance provides more over-the-counter, streamlined permitting processes. The Mayor's Office intends to expand the scope of Executive Directive 13 by establishing priority case processing in other City Departments, like the Bureau of Engineering, Department of Water and Power, and Fire Department.

2. The second most frequently mentioned recommendation was for the creation of new Prop HHH funding regulations to enable and encourage alternative construction methods (such as pre-fabricated and manufactured housing) as well as non-traditional housing types (such as Accessory Dwelling Units, or ADUs).

Analysis. The City is developing a new Proposition HHH Supportive Housing Challenge that will fund innovative housing solutions. The challenge will also encourage pre-fabricated and modular construction typologies.

3. Existing regulations can be unfavorable to developers not relying on low-income housing tax credits, so the rules should be modified to allow projects with other types of funding to flourish.

Analysis. The City is developing a new Proposition HHH Supportive Housing Challenge that will introduce alternative eligibility requirements. The program will also allow for development teams to suggest alternative financing structures that might better fit non-tax credit structures.

4. Land use policy must encourage PSH production. Allowing high densities while requiring little to no parking is crucial.

Analysis. The City's new Transit Oriented Communities (TOC), Permanent Supportive Housing Ordinance (PSHO) and Interim Conversion Motel Ordinance (ICMO) provide a number of development incentives and by-right permitting options for PSH developments. The Mayor's Office is also working with the Department of City Planning to bring revisions to the City's Density Bonus program to City Council for their consideration, and is encouraging new opportunities for multi-family housing through the community plan update process.

D. Responses to the Affordable Housing Survey

Below is a summary of the survey portion of the RFI.

- 70% of respondents reported that they have not been approved for Proposition HHH funding, while 23.3% received funding for supportive housing and 16.7% were paid to provide homeless facilities.
- Only 2 respondents (6.9%) stated that they were either denied Prop HHH funding or decided not to proceed with a full Prop HHH funding application. Their explanations were:

- “Decided that the requirements were too burdensome and that we would have to add too many costs not associated with truly helping the homeless, that bidding on this project negated our desire to help the homeless and honor tax payer's money.”
- “Too many road blocks, we have several projects that would be a perfect fit.”
- Most organizations (75.9%) reported that they did not have shovel-ready sites that did not meet the Prop HHH Loan Program criteria. However, 5 respondents (17.2%) did own such sites. Their reasoning for not qualifying for the Prop HHH Loan Program are:
 - We have not applied for funding at this point in time.
 - The projects are too small to pencil as 4% LIHTC deals.
 - In process to purchase
 - Existing buildings that did not meet the criteria of previous RFPs.
 - We do not meet the developer requirements needed for HHH funding.
- Respondents had a wide range of opinions about how large the per unit subsidy needs to be for the Prop HHH loan program to work:
 - 41.3% of respondents believe that PSH can be built with a per-unit subsidy of \$150,000 or less.
 - Slightly more than a third (34.4%) say a subsidy of *at least* \$200,000 per unit is needed.
 - About 17% think a subsidy of less than \$50,000 per unit is needed.
 - About 17% think a subsidy of more than \$300,000 is needed.
- 17 respondents answered the question, “*If you currently have a supportive housing project in the funding and/or entitlement pipeline, how would you rate the City's overall sense of urgency in making your supportive housing project a reality?*” 1=No sense of urgency, 5= *Very responsive and helpful in making my project a reality*
 - 52.9%: Not responsive (1-2)
 - 17.6%: Neutral (3)
 - 29.4%: Responsive (4-5)
- 14 respondents answered the question: “*If you currently have a supportive housing project in the funding and/or entitlement pipeline, which departments have shown the GREATEST sense of urgency in making your supportive housing project a reality?*”
 - HCIDLA: 50% (7)
 - City Planning: 35.7% (5)
 - DBS: 21.4% (3)
 - Engineering: 7.1% (1)
 - LADWP: 0% (0)
 - Fire: 0% (0)
 - Elected Offices: 42.9% (6)
 - Others: Brilliant Corners, outreach and resource groups
- 10 respondents answered the question: “*If you currently have a supportive housing project in the funding and/or entitlement pipeline, which departments have shown the LEAST sense of urgency in making your supportive housing project a reality?*”

- HCIDLA: 10% (1)
- City Planning: 20% (2)
- DBS: 30% (3)
- Engineering: 10% (1)
- LADWP: 30% (3)
- Fire: 20% (2)
- Elected Offices: 20% (2)
- Others: Cultural Affairs/Historic Preservation

E. Question 1: What changes to HCIDLA's current Prop HHH Supportive Housing funding program could help speed up the production and lessen the public subsidy cost of supportive housing?

Theme 1: Streamline and Remove Barriers to the City's Funding Approval Processes

1. Allow the city to use outside counsel to work on projects. Exempt homeless housing projects less than 100 units from prevailing wage requirements. Figure out a way to make funding availability more fluid and rolling and not consolidated in large calls for projects and managed pipelines. Authorize HCID to execute transaction documents, meeting HHH requirements, without having to return to city council. Hire project managers that are paid some kind of bonus, monetary or otherwise, based on number of homeless units receiving certificates of occupancy. Hire outside organizations and trusted nonprofits to assist with project management to combat persistent levels of under-staffing and consistent vacancies. Stop regulating and pegging developer fees and instead allow developer's a 100% share of residual cash flow thereby incentivizing developers to build and operate homeless housing.
2. Utilizing technology by creating the software to allow Developers to enter data, upload documents have a fully transparent proforma would create an even playing field. In addition, create customized algorithms based on city and state objectives; would allow for objective scoring of applications and thresholds for moving forward to the committee level with TCAC, CDLAC, HCID, etc. representative. This would allow local input and collectively fund at one time rather than the three various application process, at various time, with different formats of the same information. We need to push for a comprehensive technical solution rather than settle for the current piece-meal one. Currently, there are nine individual software systems being utilized for reporting or tracking data across LA County. Single source software would reduce developer's employee's time entering and reentering data, re-training, and traveling. In addition, funding would be based on demographic driven data, provide concrete asset management to proactively address poorly operating properties and simultaneously reduce site-level fraud. This provides a comprehensive understanding of A-Z and the boots on the ground input will allow for a fiduciary awareness that both cities and State departments lack. Cities, counties and the State of California continue to work in expensive silos, collecting the same information, with the same intent of provided housing for low-income individuals and families via various, and often redundant, regulatory requirements. Tech-driven solutions should be steered by Developers and Property Management companies,

as they are the end users and tasked with maintaining Regulatory Requirements and Financial obligations day-to-day. *We can elaborate further upon request

3. Reducing the number of steps to receive funding approval would lessen timelines for developers. Consolidate steps two, three and four into one, thus streamlining the process and reducing timelines and eventually public subsidy to the cost of supportive housing.
4. The process of navigating various city departments comes with complexities that can, at times, prove challenging for developers. The adoption of a team tasked with supporting developers through the application, permitting and construction process would help to speed up the production of supportive housing. By bringing together a cross-section team of city staff that are empowered to make quick decisions, projects will be able to save time and resources by breaking ground sooner.
5. 1. The City's process for executing loan documents is too long. Currently, HCIDLA must bring loans back to City Council and the Mayor's office before it can circulate documents for signature. This process can delay construction closing for a month or more as it takes time for staff to produce and circulate transmittal documents and reports, get the item on the City Council's agenda, and then circulated to various offices for signature. HCIDLA should not have to bring the loans back to City Council or to the Mayor for approval unless the project or loan amounts have materially changed after City Council approves projects that will obtain HHH commitments and City Council takes action to approve commitment of tax-exempt bonds. Staff should also be authorized to make minor amendments to loan documents, especially if the amendments are being made to correct errors or clarify terms. 2. HCIDLA's process for approving draws and cutting checks is slow and delays construction closing as well as funding of construction draws. There are too many steps. HCIDLA should obtain the ability to wire funds and commit to funding draws within 3 days of the Finance Development Officer's and labor compliance's approval of draws. 3. Background checks: Clearing the background check process is time consuming, requiring considerable staff time to resolve and delaying construction closings. The software the City uses has numerous glitches which make projects in compliance appear to be out of compliance and information in the system is often not current. Due to the difficulties in obtaining clear background checks, developers new to the HCIDLA will have an unfair advantage over developers who have a large portfolio of supportive and affordable housing projects in the City of Los Angeles for both the HHH Pilot Program and regular HHH Program. Until the system is operating smoothly, the City should give HCIDLA staff discretion whether the items out of compliance are material and/or substantive enough to warrant delays in providing funding commitments, closing loans or allowing borrowers to draw funds. 4. 1. The ability to develop on City-owned land is helpful because obtaining site control is challenging. However, if the City makes DOT sites available, the City should take responsibility for providing temporary and permanent replacement parking. Parking is a sensitive issue for many communities and it is expensive to replace. Ideally, the City could develop a comprehensive plan for creating temporary and permanent replacement parking for all the sites it plans to make available for supportive housing development in advance of awarding these sites so the developer can hit the ground running.
6. Construction loan periods are longer in LA than in other cities due to the City's process. Increasing efficiency and removing administrative burden would shorten the construction period and reduce cost. The extensive administrative process, delayed payments,

prevailing wage fines, PLA requirement, etc. have led to contractor premiums for doing work in the City of LA.

7. Your annual pipeline process needs to allow for a project to replace any project whose capital stack falls apart. As it is now you are treating it like an airplane flight. Once the plane takes off (annual selectees), no other passengers can board even if one passenger falls out of the plane.

Theme 2: Subsidy Amounts, Leverage and Other Financial Recommendations

1. Proposition HHH was designed to leverage \$1.2 billion in funding with other private, county, state and federal sources. Without a reasonable cap on the per-unit subsidy, the goal of 10,000 units cannot be met. To determine the per-unit subsidy cap for the Pilot Program, pilot projects should be required to demonstrate how a higher per-unit subsidy will make their innovative project more viable. Within the Pilot Program, developers should articulate how their project is innovative and illustrate the feasibility of their model. Projects should still demonstrate how Proposition HHH funds will leverage additional capital funding sources. Through a competitive process and with a range of per-unit subsidy requests, HCIDLA can best determine the most realistic per-unit cap that will enable feasible projects to come online. Lastly, quality must be at the forefront of the program. It is critical for development teams to demonstrate a commitment to tenant success and well-being through employing evidence-based practices. Service providers play an integral role in a project's design and operations and their input must be included in project planning. Development Teams should illustrate coordination among the project owner, property manager and service provider. Projects should show how the team will work together to maintain a high level of quality supportive housing. This quality approach should be tenant-centered and focus on meeting tenants' needs, creating accessible housing with no barriers to entry, and integrating the project and tenants within their community.
2. Create a non-LIHTC product for small developments and work with the trade unions to reduce wage requirements for smaller scale developments.
3. 1. Remove PLA requirement 2. Permit applicants to seek a waiver from any non-mandatory requirements 3. Eliminate maximum per-project and per-unit HHH contributions and limits on number of projects allowed per developer 4. Create financial incentive or fee bonus for projects completed under budget and ahead of schedule

Theme 3: Encourage Alternative Construction Methods & Housing Types

1. Innovative housing options that aren't apartment type housing units
2. As a company that manufactures modular walls, we feel that we could have come into the most recent bid and fulfilled the contract if the stipulations weren't so burdensome for our smaller company. I believe that we could have provided the attractive and honoring temporary homeless housing solutions for 70 units well under \$1M dollars.
3. Access properties that are under RSO and provide a means to link with voucher programs, and ensure that such buildings have monetary or tax incentives to rapidly increase available units. Also, for any ADU's have homeowners have a workshop to ensure that they have knowledge of the opportunities for helping the homeless population and to show the incentives attached to having voucher backed tenants.

4. Set up a Task force of developing affordable housing on city owned property as a quality example. Subsidy costs will stay high, but this is a long term investment. Houses will become treasured assets over the years. Put urban quality and flexibility in use on the ground floor at the 1st place. City is building a good housing stock. Include long term investors like Health care organizations (Kaiser Permanente) and pension fund holders. Start initiating remodeling of empty real estate (banks, post offices, shopping malls) into housing if "supportive". Set a timeline (let's say 10 years) for the use and consider redevelopment after that period. Restrict empty plots/vacancy by rising taxes if not used and by subsidizing if any one allows temporary housing on their lot/ in their building. Make use of the prefabricated tiny houses, of temporary living forms (containers: used in the Netherlands for student housing) of the small-lot development modules that are being developed right now. Involve homeless who can share time in the process of remodeling (example of Acta building, former dentist-school, remodeled for students who are willing to take a part in the finishing of the housing units:
<https://www.sociuswonen.nl/projecten/twa/>).
5. Manufactured Housing can speed up the production process by over 50%. Public subsidy cost can be lowered by encouraging the use of manufactured housing; the overall cost of the building and development process is approx. 30% cheaper than traditional stick-built housing.
6. Low-rise wood frame construction is the least expensive construction type and allows for low per-unit cost developments, in the form of smaller 'missing middle' configurations that deliver 5-20 units per site. Most affordable housing finance sources target larger developments that, while delivering more units per project, do so at a much higher per-unit cost. Allowing smaller-scale developers to have access to these funds can help deliver many units across many sites, in with low per-unit costs.

Other

1. Fully support both HCID/CAO and Mayor's proposed pilot project.
2. Overall, the HCID Prop HHH Supportive Housing funding program has been very successful and PSH production levels in the city are vastly higher than ever before. We do not think any major changes to the program are necessary. We feel that HCID should stick with their current program and continue to refine administrative procedures to ensure maximum efficiency within the current HHH Supportive Housing funding program. HCID should continue to focus on leveraging non-city funding sources, especially Low Income Housing Tax Credits and No Place Like Home Funds, to ensure that overall unit goals are met and that City funds are used in the most efficient manner, keeping the City expenditure per unit lower than if the City were to be the sole funding source of a given project. HCID should not lift the per-unit funding caps and should only lift the per project funding caps in the case of an extremely large project (200+ units). Lifting these caps would result in the City paying even more per unit. Furthermore, HCID should not lift the cap on number of projects allowed per developer. By having this cap the City limits concentration of risk and fosters a strong bench of PSH developers and service providers. Regarding design/construction solutions to high cost issues, HCID already encourages innovative design such as modular construction or other cost saving construction and design techniques, we do not feel and any changes to the current HCID program are needed in this area. We also think that HCID should continue to require

high-quality, durable construction methods to ensure the HHH investment last as long as possible. Regarding eligible HHH applicants, we do not feel that any changes to the program are needed in this area. It is important that HCID select only the most qualified developers and especially the most qualified service providers to ensure long term success of the developments and the residents of the developments. Furthermore, we feel it is very important that the service provider be in the project ownership entity and that the service provider have meaningful decision making authority within the project ownership structure. HCID already has crafted the regulations in a manner that allows essentially any experienced developer to partner with a qualified service provider to be an eligible HHH applicant and that the current regulations give the service provider the needed control over the development, we feel this provides plenty of flexibility and accessibility. Regarding the potential option of allowing unsolicited applications outside of the current call for projects, we worry that this could overwhelm HCID staff, who are already producing PSH at the highest levels ever in the City. The current system of three calls for projects per year is working well. Regarding high construction costs and length of time to start and complete construction, there are many factors that contribute to these issues, most of which are out of the control of HCID. We feel the City should continue to look for ways to streamline the permitting process and find other ways to reduce costs, such as eliminating permitting fees and development impact fees for PSH developments, but we do not feel there are any changes needed to the HCID PSH program regarding this matter.

3. Develop qualified staff who understands the conversion of HHH to actual projects.
4. As can be seen, the goals of Flexible closely parallel the City's and we have set forth to fulfill them on our first two projects, for which we have obtained site control. The two sites include: 1) Enlightenment Plaza ---- located near the Red Line Station at Beverly and Vermont, this two acre site will house 400+ new units of PSH, to be developed by Flexible and two other non-profit developers, brought into the development by Flexible and its for-profit partner on this project, The Pacific Companies. The total project will include four 100+/- unit phases of development, the first of which has already been submitted for HHH construction subsidies and an allocation of project based VASH and Section 8 in the current round. (We are currently awaiting the announcement of the projects to be selected.) Between our project and other sites available in the area bounded by Vermont, Beverly, Westmoreland and Highway 101, an area that would be one of five proposed HUBB areas (see Land Use recommendations, below) that we recommend be established Citywide and is an area that could easily accommodate at least 1,000 total units of new PSH. 2) Our second project tentatively dubbed "The New Skid Row" project, for which we have obtained site control, will also entail a partnership with several non-profits as well as one (or perhaps several) for-profit partners in the Master Planning of an entire City block in the heart of Skid Row, (i.e. the block bounded by Sixth, San Pedro, Crocker, and Seventh Streets). Our Master Plan will call for development of at least 1,500 new units of PSH on the block, along with a long list of amenities and a street management plan designed to change the look, feel and ambiance of the entire Skid Row area. The development of these two projects would be greatly enhanced by the third project that we are focused on, which we have dubbed "Enlightenment Village", for which we are currently working to gain site control of a seven acre site in the Lincoln Heights area which would accommodate twelve, 100+/-

unit PSH projects, to be developed by a consortium of high quality local developers, around a central "Town Square" or "Main Street" at the center of the development which would include retail services operated by the (formerly) homeless tenants of the projects, along with services needed by the tenant population and educational facilities designed to train the formerly homeless and others in the skill sets needed to assist the homeless population in their reintegration with productive society. This project would garner national attention as a model for the provision of PSH and, we believe would be an achievement which would validate the City's efforts under HHH, to the public.

5. There are several items that could be improved throughout the HHH process. Primarily, the use of HHH proceeds - supported by HCIDLA - restricts the number of contractors and subcontractors who are willing to take on a new project. This is not because of the prevailing wage rates, but rather all of the challenging and complicated paperwork required to draw on capital. Rather, we could broaden the market of potential GCs and construction companies if we could partner with a private construction lender who could be backfilled by HHH funds. This could be done in several forms, but ideally, a project could be funded at 100% construction costs (80% market, 20% HHH). So long as the lender understood that the additional leverage would be repaid by HHH funds, they would be willing to provide the entire facility to fund the total construction costs. Secondly, the non-tax credit loan sizing per unit of \$100k is overly restrictive. While tax credit deals are funded at \$140k per unit, non-tax credit deals, which do not require additional funds (i.e., 4% tax credits), should not be hit. For example, for our Watts Works project, if we were able to fund at \$140k / unit, we would not need to rely on any county funding (24-A NOFA or No Place Like Home). That would speed up the pre-construction phase and reduce legal fees.
6. The prevailing wage requirement, although important from a policy standpoint, really makes it difficult to make the projects pencil given where construction costs are today.

F. LAND USE REGULATIONS: What changes to the City's land use laws and regulations could help speed up the production and lessen the public subsidy cost of supportive housing?

Theme 1: Allow High Densities While Requiring Little to No Parking

1. Current land use regulations place rigid restrictions such as FAR, set-backs, and unit square footage. Such a stringent application of these regulations cause project delays, costs which fall outside of the project budget, and ultimately, a reduction in the number of housing units that can be built. Land use regulations/laws need to be adjusted with an understanding that not all projects are able to comply with 100% of all regulations; There needs to be some latitude in such regulations that allow the most amount of units to be developed, while still maintaining the highest level of life/safety within these projects. Land use regulations often involve re-adjusting the layouts of these projects -- to the detriment of these projects. For example, developers often need to reduce the number of units in these projects, increase open space, and are even left with no choice but to cancel such projects as these delays and expenses no longer pencil out. We need to remember that these affordable projects do not traditionally cash flow; as such, developers need to stick to budget. And any deviation in budget caused by land use regulations would leave

developers with no choice but to pursue market-rate projects instead. *We can elaborate further upon request

2. The TOC incentives have proven successful. However, one element that could benefit from changes regards parking. TOC allows 0.5 spaces per unit if a developer provides baseline affordability and 0 spaces per unit if 100% of units are affordable. It could be helpful to spur more mixed-income projects if TOC awarded 0.5 spaces per unit for every market rate unit and 0 spaces per unit for every affordable unit, as long as the developer provides any units above the baseline affordability requirements. Under such a change, projects could benefit from reduced parking costs and the cross subsidy provided by non-deed restricted units allowed. This would provide additional options for non-tax credit affordable housing developers. By not having to restrict all units for 55 years to get less parking, projects may be able to underwrite to allow for leveraging more private financing to supplement HHH and other sources.
3. Allow more density per unit, per building, and less parking and setback requirements for existing buildings. Allow R1 use.
4. Introduce exemptions in land-use in case of substantial provision of supportive housing. Realize experiment zones where land-use rules are different. Allow more housing in the commercial zones anyway!!
5. 1) Increase site-plan review threshold for all levels of housing 2) Remove parking requirements
6. The City of Los Angeles could take several steps to change its land-use laws and regulations to speed up the production and public subsidy cost of supportive housing. (1) Provide for an additional 35% density bonus for projects with at least 50% Supportive Housing. This incentive would increase the number of TOD units developed over the lifespan of the HHH Bond due to a 70% total density bonus when combining both the affordable housing (35%) and SH density together (35%). (2) Provide for a purely ministerial approval process for projects with at least 50% Supportive Housing similar to the ministerial process written into California Senate Bill 35. This approach would reduce the development timelines, lower land acquisition costs and provide certainty to lenders. (3) Allow for the conversion of underutilized commercial retail space to mixed-use for projects with at least 50% Supportive Housing.

Theme 2: Streamline the Permitting Process

1. By right options instead of a CUP or Public Hearing
2. Allow for project streamlining or exemption from the CEQA process. Linkage Fees were a mistake and need to be eliminated -- especially now that HHH tax revenue is flowing. Order a Mandatory Review of every Q and T condition in the City of Los Angeles and either sunset or eliminate each one. Over 75% of the City is covered by some special status or multiple status that requires pre-development review. That leaves a very small amount of land in a ready to build state. Decades of spot zoning have literally painted the City into a corner. Eliminate discretionary reviews processes. Force CEQA plaintiffs to show an irreparable harm standard in order to halt a development project from moving forward. Force CEQA cases to mandatory arbitration with 90 days of filing and provide decisions within 15 days, subject to appeal only if the appealing party can show error in process or legal logic of arbitrator.
3. Speed up the building permit process

4. Manufactured housing - regulations are controlled by HCD and all land/civil regulations are controlled by the local city. It is a very clear what the line of responsibility is for both agencies, it makes it efficient for both groups and also helps with "flushing" the backlog of projects in the regulatory queue.
5. The City of Los Angeles Department of City Planning has made tremendous strides in improving and accelerating land use entitlements approvals process and there are new ordinances such as the Transit Oriented Communities Ordinance and the Permanent Supportive Housing ordinance that provide great incentives and relatively short approval timelines for affordable and PSH developments.
6. Redevelopment plans of the former redevelopment areas should be eliminated. These plans are sometimes inconsistent with current zoning or land use regulations and getting approvals from the former redevelopment agency for modifications or exceptions puts developers at-risk and lengthens the development timeline. If the City is able to implement the Supportive Housing Ordinance, that would also speed up production.
7. Lower review process to no more than a site plan review
8. A few items to consider in no particular order - TOC Guidelines require lengthy Tier check verification process - Fire Department to not be integrated very well and is not well coordinated with LADBS - Recording of land use covenants takes up to two months - Costs relating to school fees, park fees and others are high relative to overall costs and LADBS should consider waiving said fees for qualified PSH projects.
9. Use CEQA categorical exemptions without unnecessary assessment. Meaning if a project is 25 units that are homeless housing and have affordability covenants, it is exempt from CEQA. No forms, no EAF process, just exempt. Check a box. Harmonize the myriad rent schedules to one rent schedule establishing affordability in the City of LA. Current schedules are beyond confusing. Allow TOC non-baseline incentives to be by-right for homeless projects, instead of being discretionary.
10. Get rid of the 9+ month red tape required to use TOC 'additional incentives' for 100% affordable projects.

Other

1. First and foremost, adoption and approval of the PSH Ordinance should make a massive difference in the entitlement process, provided that the legal challenge is overturned. Additionally, the City could make more of its City-owned land available for PSH/affordable housing, or perhaps adopt an Unsolicited RFP process similar to Metro's in order to take advantage of the development community's capacity. It would also speed up production if City-owned land was donated for PSH/affordable housing.
2. Create certainty in entitlements so that developers do not pay excessive land holding costs.
3. The ADU laws are effective, however staff needs to be trained in alternative building techniques.
4. Ensure that there should be mixed use zoning areas to ensure that those living in the permitted buildings have a nearby place to purchase grocery items. Having commercial and residential on top will allow for a lessening for food desert neighborhoods.
5. The three projects discussed above have been undertaken by Flexible, in comporment with its proposed PSH "HUBB" (i.e. PS Housing Underway without Being Blocked) concept which we have distributed to the Mayor and the City Council, which we believe

holds great promise for the future development of a significant portion of the PSH needed by the City at a greatly reduced overall facility development cost, enabled by the cost sharing of facilities by the various PSH developers within the HUBB area and the City's pre-designation of the area as eligible for PSH development. It is well recognized that site designation and control is the key factor which underlies any PSH development, Finding a reasonably priced site that is either already properly zoned, or which have sellers patient enough to wait for their sales proceeds while the prospective buyers go through a complex and uncertain entitlement process, are increasingly hard tasks to accomplish, especially in the urbanized areas of Los Angeles in an environment where no one wants to take on any "entitlement risk" whatsoever. In this environment, putting together the acquisition financing for sites big enough to accommodate several developments, such as the ones we are working on, has become an almost impossible barrier--- (our three acquisitions will run \$18, \$25 and \$43+/_ million respectively). the only certainty is that someone will have to take on the entitlement risk. Under our envisioned HUBB model, the designation of a limited number of very small (max nine to 12 square block) areas as pre-designated places, distributed throughout the City on a fair share basis, for development of 7,000+/- total PSH units, would go a long way toward eliminating this barrier. Each HUBB area would have to meet guidelines that would serve to minimize the impacts of the developments on surrounding communities. Once so designated, the City should then be prepared to defend its choices via support for any developer that gets stopped from developing within the guidelines set forth for that HUBB by citizen's law suits or other third party delaying tactics. The provision of assurance that a given PSH project will ultimately be allowed to move forward can thus be met by either regulatory or financial means, and preferably by a combination of the two. The financial route would entail either City guarantees, or the direct City provision of financing for the acquisition, or direct City acquisition of the sites with the City assuming the entitlement risk, none of which are provided for under the current HHH paradigm (or are even being discussed as a possibility). The potential cost savings made possible by such an approach would not be Insubstantial. At Enlightenment Plaza, we have projected a first phase pro forma which has a \$400,000 per unit TDC, a \$150,000 per unit cost savings over the \$550,000 (+) per unit development costs which have become the standard of the stand alone, scattered site model statewide. Cost savings from the shared use of management and services offices, development of a shared parking facility, lower architectural fees based on similarities between each of the four structures proposed and the bulk purchase of certain building materials, are all factors in the savings effort. (FYI ---- None of the cost savings will be derived via the use of reduced quality materials or architectural standards in the LEED Gold planned highly sustainable projects that we will deliver.) We have also thought through the issues that would be inherent to the concentration of PSH units within a HUBB area, all of which are substantially addressed in the previously referenced HUBB proposal that we have sent to the Mayor and Council. It is significant that we were able to project these savings despite the prevailing market cost of vacant property in the area of \$200 sq. ft. A complete set of attachments describing the details of our projects and the HUBB concept, including our proposal to control the street environment post construction and our offer to use our sites as the location for interim housing pending construction start is available upon request.

G. PERMITTING ISSUES: What changes to the City's permitting processes could help speed up the production and lessen the public subsidy cost of supportive housing?

Theme 1: Create a "One-Stop Shop" for All PSH Permits

1. Perhaps a separate dedicated fast track plan check for affordable and HHH projects.
2. Aside from supporting the Permanent Supportive Housing Ordinance, the city should develop an emergency task-force between HCIDLA, building & safety, plan check, fire, and all other critical departments to jointly approve PSH projects. By having to go through different approvals with different requirements, we waste critical time and money. The Permanent Supportive Housing Ordinance expedites the permitting process for "Qualified PSH Developments." This expedited nature should be included for qualified PSH projects that do not necessarily use the PSH Ordinance.
3. The City of Los Angeles can make several changes to the current permitting processes which could speed up the production and lessen the public subsidy cost of supportive housing. (1) Centralize Permitting for Permanent Supportive Housing and other HHH related development into one office and website; separate from the current LADBS site. This office would solely deal with Permanent Supportive Housing, regardless of the applicants funding source and would speed up permitting process. (2) Hire staff dedicated to permitting the 10,000 units called for in HHH, irrespective of the projects' funding source.
4. The permitting process is an area where the city could speed up the process. In our experience it often takes about 1 year from initial plan check submittal to get a building permit. Review times for plan check submittals seem long and the clearance process is cumbersome and time consuming. The City should provide a one stop shop for PSH developments and The City should consider handling the clearance process for PSH developments. We feel that it is possible for the City to achieve a permitting timeline of 4-6 months from initial plan check submittal for PSH developments. To reduce costs, The City could waive or defer all permit fees and development impact fees for PSH projects.

Theme 2: Hire More Staff (Including PSH Specialists) to Speed up the Permitting Process

1. The City's current permitting processes are one of the main causes of project delays. Permitting these projects in the City involves processes which are overseen by numerous agencies and departments in the City. Usually, these agencies/departments are short-staffed which also leads to a clog in the pipeline of these projects as projects cannot move forward without sign-off from these agencies/departments. These processes involve the submittal, and often, re-submittal of forms, plans, and documents. As permitting processes also involve plan checks, and numerous case management meetings, developers are left to deviate from their own project timelines and defer to the timelines of City staff within these different agencies/departments. The City needs to increase staff and streamline its permitting processes to reduce the timelines of agency/department sign-offs and approvals so that these projects move through the pipeline and more affordable units are created. *We can elaborate further upon request
2. 1. There is a backlog for plan check. It seems more staff dedicated to reviewing and approving supportive housing projects is needed so that plan check can and clearance can be provided with little or no wait times. 2. Projects that need clearances from DWP to

obtain building permits can be significantly delayed by backlogs at DWP. It would be helpful if supportive housing projects could be prioritized with guaranteed turnaround times. 3. When there are conflicts in the zoning or building codes, it would be helpful if there was a point person for supportive housing projects who is also empowered to make decisions to ensure supportive housing projects get clarifications quickly and can make use of the least restrictive requirements when possible to reduce construction costs or maximize the number of units that can be built.

3. Loosen standards for rehabilitation of units / conversion to homeless units similar to the adaptive reuse ordinance. Automatically provide expedited plan check, at no up-charge, for homeless housing projects. Provide dedicated DBS staffing for homeless housing projects to be able to provide clear guidance on proposed projects during predevelopment. Recruit and place DBS staff that are immensely knowledgeable on infill and homeless housing development, have good communication and interpersonal skills, and that are not afraid to provide specific input and advice for projects regarding potential pitfalls and challenges and solutions to challenges. Strive to lessen the amount of inconsistency provided when visiting DBS for information about homeless housing projects.

Theme 3: Streamline the Permitting Process (Other than by Methods in Themes 1 and 2)

1. When additional documents are needed for permits, have a video or simple explanation on how it should be provided and submitted. Ensuring that the access of filling, filing, submitting, and accessing the status of the submitted permit should be easily accessible for both the user who submitted it and the public.
2. Ease the requirements of temporary homeless housing solutions. The process was very burdensome for us to consider bidding. The overhead of compliance would have required us to add \$500K to our bid simply to make sure we followed all of the intensive requirements.
3. The most complex and the most routine cases should be contracted out to a qualified firm with LADBS staff as project managers with oversight. LADBS needs the authority to interpret and approve TOC bonuses. Discretionary review of Small Lot Subdivision parcel maps needs to be eliminated.
4. The permitting process is a professional nightmare. The timeline to achieve a building permit is expensive both in time and costs. The timeline for obtaining a building permit ranges from 4 to 9 months for a simple ADU.
5. Allow R1 use and lessen requirements for existing buildings
6. In my experience, it is far better to work with all aspects of a project's development as a team, rather than in an adversarial environment where everyone's narrow interest can often eclipse the larger goal of project success. In the environment of mutual goals that characterizes the PSH development process it should be possible for the City Building Dept. and the developer to work cooperatively together without compromising any of the projects structural or life/safety guidelines. Since the costs of the PSH buildings are usually 100% gap subsidized by the City anyway, the building inspections merely add to the amounts of subsidy required to make the project feasible. Under these circumstances, why not take some of the HHH money and form an experienced cadre of inspectors who can work with the developer's team to come up with the best product, at the least cost,

and forgo any building permit charges to the development, along with any project delays while waiting for inspections to be scheduled. (Just a thought.) IN SUMMARY, OUR RECOMMENDATIONS FOR COST SAVINGS IN DEVELOPMENT OF PSH USING THE EXTANT PARADIGM ARE AS FOLLOWS: 1) CONTINUE WITH THE PROJECTS THAT HAVE OR WILL BE PROPOSED UNDER THE CURRENT CITY PARADIGM WHICH RELIES ON DEVELOPER SELECTED SCATTERED SITES SUBMITTED UNDER COMPETITIVE AWARD PROCESSES. 2) RECOGNIZE THE INHERENT LIMITATIONS OF THE CURRENT PARADIGM AND TAKE DIRECT CITY ACTIONS DESIGNED TO EXPEDITE AND ENHANCE THE PROCESS OF PSH SITE SELECTION, USING BOTH THE CITY'S REGULATORY AUTHORITY AS WELL AS ITS FINANCIAL CAPABILITIES. 3) CONSIDER THE PRE-DESIGNATION OF SMALL SUB-AREAS OF THE CITY AS AREAS WHERE PSH DEVELOPMENT SHOULD BE ENCOURAGED. 4) CONSIDER TAKING ON THE ENTITLEMENT RISK FOR DEVELOPERS WILLING TO LOCATE THEIR PROJECTS WITHIN THOSE SUB-AREAS. 5) BE WILLING TO WORK DIRECTLY WITH QUALIFIED DEVELOPERS WHO ARE PROPOSING MULTI-PARTNERED, MULTI-PHASED DEVELOPMENT OPPORTUNITIES WHICH CAN RESULT IN COST SAVINGS VIS-A-VIS THE CURRENT PARADIGM. 6) CONSIDER THE FORMATION OF A HIGHLY EXPERIENCED PSH CODE COMPLIANCE TEAM THAT IS DIRECTLY FUNDED THROUGH PROPOSITION HHH AND THE SIMULTANEOUS REMOVAL OF BUILDING PERMIT CHARGES TO PSH PROJECTS.

7. Modify Executive Directive 13 to include LADWP (essentially expediting LADWP review and approval).
8. Allow all public works requirements to be completed through an "A" permit not a "B" permit. Allow LADBS to be the lead agency (new plan check and inspection division)
9. No specific suggestions, but permitting is still taking longer in City of LA than neighboring cities.

Theme 4: Encourage Alternative Construction Methods & Housing Types

1. Fast track new housing alternatives
2. Focus on shared housing or group housing.
3. Loan guarantees for modular construction – particularly in the pre-construction phase could be useful as those funds are currently considered very "risky".

Other

1. Training program to assist staff in understanding various alternative building techniques

H. INNOVATION: What can the City do to promote innovative construction/financing models for affordable and supportive housing?

Theme 1: Streamline the Permitting Process

1. Understand that the TCAC & CDLAC applications are the template for all other funder's and additional criteria can be added based on local needs, such as homelessness, vets, special needs, elderly, etc. By collaboratively funding these sites simultaneously via a Universal On-Line Application, there will be cost saving and time efficiencies, allowing

document management, intelligent set-asides at each property, thus removing the regulatory conflicts and standardize proforma for an even playing field in financing. In addition, the application can include architectural elements required for Homeless Housing sites in order to decrease operational costs and allow for repayment and health R&R. For example, applications for homeless special needs housing will require comprehensive Wi-Fi enable security system of all entrances, hallway and trash areas. In addition, motion sensor water fixtures and timed showers to prevent unit flooding and water waste. Auto-shut off stoves when temps smoke or too much heat is sensed. Flooding due to sprinkler discharge; take vinyl 4 inches up side wall and seal, slope unit at 1% to a drain and outlets with sliders. When an application has been approved by funding committee, all documents will be uploaded to the system; removing the “lost in the shuffle regulatory agreements” and the proforma would matriculate to the Asset Management platform once in operation. The software would natural matriculate data to the individualized platform as follows: Universal Application >>> Funding Documents & Timeline >>> Construction Budget and Timeline Management >>> Lease Up with the Master Waiting List (access to Regulatory Agreement and Rental Matrix already in system) >>> Asset Management access to proforma, operating budget and regulatory set-aside monitoring from universal application. *We can elaborate further upon request

2. Create streamlined regulation at LADBS

Theme 2: Encourage Alternative Construction Methods & Housing Types

1. Duplex units instead of large apartment type housing units
2. We would have liked to come in to the temporary homeless housing and provided the units. I believe that we could do this in a manner that provides flexible solutions (www.ladacube.com) that would be cost effective and honor the inhabitants as they work to get off their feet.
3. Ensure that building and safety is up to speed on new construction types like modular systems. Help promote CRIA and EIFDs.
4. Innovative Pre-Fabricated Modular Construction (IPMC) with integrated energy efficiency can streamline planning process, significantly shorten construction timeline, improve carbon foot print, help meeting SB100 goals, and reduce construction costs. NREL can partner with a pre-fab modular construction company and the City to build and field validate the benefits of IPMC approach. NREL can potentially leverage its DOE funded Advanced Manufacturing projects to cost share on this pilot. NREL has seen up to 30% energy cost reduction. The following highlights key benefits of the IPMC approach: Better envelope air sealing, better insulation installation quality, lower installation costs for efficiency features Higher quality, as construction materials never exposed to rain Factory quality controls mean efficiency strategies are installed per specifications Strategies that require additional expertise can be installed with confidence that would not be present in site built projects. Consistent quality of energy efficiency measures installed by experienced crew in factory environment Opportunity to lower electric demand thru metering infrastructure Multi meter transition to single meter Residential to commercial rate structure kW demand visibility to utility Remove split incentive energy cost barriers Capped energy cost credits Energy credits thru tracking individual unit energy and demand usage Passing thru demand and energy charges above the threshold to tenants Reduced waste.

5. Establish a streamline process for ADU, train building department staff in the latest building systems and standardized the processing system for alternative building systems that have been approved both by state and federal agencies.
6. Allow co-living uses. See link below.
<https://www1.nyc.gov/site/hpd/developers/request-for-expressions-of-interest/share-nyc-rfi-rfei.page>
7. How: Identify new housing typologies and test for feasibility and impact on the housing market through collaboration with private sector developers and technical experts in the government sector. Innovate: Whether it be modular, shipping containers or 3D Printing, all options are on the table. Leverage: Build on existing partnerships between community stakeholders, entrepreneurs, engineers, architects, developers, government and academia to bring real solutions to the affordable housing crisis. Long Term: Impact is determined by the scalability of a solution, and how effectively it drives down the time and cost to build affordable housing units. Innovative construction and financing models must demonstrate that the project is feasible and ready to be implemented. After a comprehensive review of proposed innovative models, the City should share details of the models that are truly viable as a way to encourage these feasible models to be replicated. By promoting what makes these innovative models work, the City can encourage the best models to be scaled. Los Angeles County's Housing Innovation Challenge is a model by which the City can learn from. This program set a framework by which the County would evaluate innovation by focusing on scalability, replicability and efficiencies. The City may look to some of these innovative models for applicability in the City and may opt to encourage developers to adopt these approaches.
8. Each of the cost savings referenced above can be realized within the existing paradigm of production of PSH --- i.e. tax credit driven apartment buildings which are deeply subsidized in order to provide units and needed services to an extremely low income segment of the population. This paradigm, as noted above, is an expensive solution to the provision of PSH, but nevertheless is one which is a tried and true method of delivery of very high quality, sustainable, product. There are, however, several alternative models for delivery of equivalent quality PSH which merit consideration, given the affordability issue raised by the extant paradigm. The Flexible team recently developed a "tiny homes" development concept for the City of Sacramento which we would be pleased to share with you. The idea behind our tiny homes model is to get maximum value from the effort via employment of members of the homeless population who might be interested and capable enough to learn a (much in demand) construction trade via an apprenticeship arrangement with the local unions using a typical "stick-built" construction of the units in place, and thus providing the full range of construction skills, as opposed to a factory assemblage of the units off site. The model we used in our Sacramento proposal was a relatively low density of 20-30 units per acre, enabled by the relatively low land costs of the Sacramento area, and thus most viable in the LA area only on donated properties or modified to accommodate higher densities. The key to our proposal is to have sufficient (I.e. at least 60) units in the project to support the same level of services provided in a comparably sized apartment complex of the same size. An interesting facet of our design was organizing the units that in "pods" of 15+/- units, each designed for different segments of the homeless population (i.e. singles, shared units, small or large families, persons facing similar problems, or who share common backgrounds, etc.) so that one's

neighbors would share interests and be more inclined to form lasting mutually supportive communities in which a number of services could be offered. The small, 15 unit pods would lend themselves to the typical 15/1 client to staff ratio that could be met within each individual pod, (N.B. ---- Limitations on the length of our response have precluded us from providing an adequate recitation of the projects many positive features. See previously referenced packet for details, The entire project, would be financed via a four percent low income housing tax credit allocation, supplemented by local and state construction subsidies and an allocation of Section 8/VASH. Each tiny home would have to meet Section 8 and TCAC requirements and would range in size from 250 sq. ft. efficiency units to 500+ sq. ft. models designed to accommodate large families. Under this financing and construction approach, the entire complex (net of land acquisition costs) could be delivered at roughly \$175,000/unit or \$17,500,000 for 100 units of high quality PSH, built to last. The City's portion of the construction subsidy, given the use of 4% tax credits and matching state funding could be reduced to as little as \$65,000 per PSH tiny homes unit. If desirable to the City, a number rent to own option could also be explored. If interested in this idea, we would be glad to to come up with a viable model for any Los Angeles property that might be suitable. Our partner for the proposal in Sacramento, and likely partner in LA, is Integral Housing, a well-known minority owned development entity nationwide.

9. First and foremost, the items mentioned above would provide significant innovation to speed up delivery and reduce costs. This is focused on both increasing the non-tax credit per unit loan limits and supporting the PSH ordinance. For non-tax credit deals, there could be a revolving application so that we can immediately leverage private sources once a site is acquired. Finally, we are looking deeply into modular construction, and are following the Flyaway Homes model of building with modular boxes with some on-site construction. These manufacturers require significant up-front capital to purchase the materials required to build these boxes, so if HCIDLA would be comfortable to draw on HHH funds first during this off-site construction phase, that would allow for the introduction of modular into the HHH pipeline.
10. Allow the use of prefabricated units (shipping containers, state approved modular units, ETC...)

Theme 3: Make Project Financing Easier

1. First, the city needs to treat HHH subsidy like equity and allow it to be used flexibly to leverage other non-public resources. Many of the city's current requirements for funding or provision of land sites assume 100% public subsidy to fund projects. This creates a financing scenario where it is difficult or impossible to leverage private financing. City requirements such as prevailing wages drive up budget costs, creating a need for even more subsidy. Other requirements that apply on an ongoing basis, such as city ground lease fees, reporting, compliance, monitoring, etc. reduce net income and thus the ability of the project to leverage private debt, thus creating a need for yet more subsidy. If HHH is a project's only source of public subsidy from the city, then it should try to avoid these requirements in order to maximize a project's ability to leverage private financing. If other state or federal subsidies are used, they will impose many of these requirements themselves anyway. This way, if HHH is effectively the only public funding to a project, it should be structured in a way to incentivize private resources to be leveraged. Perhaps a

requirement of a minimum private leverage ratio could be used as conditions to allow projects to avoid these and other requirements that are typically imposed on projects that can pay these costs because they receive all or nearly 100% of their funding from subsidy sources. Second, to spur more financing innovation, HHH funds need to be treated as flexible capital that can be revolved. For example, if a developer or lender received HHH to deploy into projects and redeploy over time, the city needs to develop a way to not impose entirely new underwriting, review, approval, documentation, etc. for each and every project that HHH touches. Otherwise, this model will be too cumbersome to revolve HHH funds and maximize unit production. Perhaps the city could provide a template deed restriction for any unit that receives HHH funding up to a certain amount per unit (e.g. \$75,000) and if the HHH funds per unit fall below that amount, the recipient of the HHH funds can deploy them as they see fit to support new unit production as long as they agree to record the affordability restriction on the property for the units receiving the HHH funding. Further, such deed restriction should be subordinate to all other private financing in order to make it possible to leverage private financing into projects. Another option would be to provide a balance sheet loan to the recipient of HHH funds at a very below market rate (e.g. 1.00%) and then the recipient can use the funds as they see fit, subject to unit production targets and recording affordability restrictions on the number of units required to be funded with the HHH award.

2. The City could look at creating financial pools for duplicate funds such as a projects transitional reserve. HCID should go to a per unit developer fee and allow developers to take a larger fee if they can surpass a TDC benchmark. I feel that the 15% fee calculation commonly used by TCAC encourages the escalation of costs.
3. NIMBYism and a lack of political will to overcome the seemingly endless challenges to developing enough NEW affordable housing to make a dent in homelessness is a serious problem. Perhaps a public/private partnership with existing property owners is a way forward. In other words, invest in master leasing existing properties that includes securing building permits to renovate and build additional units on those properties with long term agreements that added units and turnover units in the same buildings will be reserved to house the homeless individuals. Renovations would include thoughtful, innovative and attractive design that would improve neighborhoods, increase property values, and energy efficient solutions like solar to help pay for the costs in the long run.

Other

1. It costs developers additional money and time to pursue innovative approaches to construction and financing, so it would be helpful if the City could offer R&D grants for embracing new methods to improve efficiency. Grants sized around \$250,000 would be sufficient to hire additional consultants required to test different methods of financing and constructing PSH. 10% of the total HHH amount seems excessive; rather, \$5 million made available through grants/seed funding would help developers engage in upfront studies to vet unique approaches.
2. The county's flexible housing subsidy is a great model. City could issue LOIs to master lease units and projects on a rolling basis and private owners, developers, nonprofits, for-profits would bring projects to the city also on an ongoing/rolling basis. This would facilitate rehab and conversion of smaller projects, e.g. less than 50 units as preferred currently by HHH and HCID. This approach also takes public capital out of the project's

capital stack, and the attendant requirements and burdens that this public capital creates both for developer and city are gone. These costs and burdens should not be understated. This process rewards and pays developers only when units are ready for occupancy. As these LOIs become more commonplace, they can be accepted by lenders, particularly specialized CDFI lenders who will provide rehab or development funds knowing that a credit lessee, i.e. the city, would be guaranteeing rent payments at HUD FMR levels

3. With respect to the answer provided with land use, having a way to ensure that housing and commercial properties complement each other, will help with fostering a tighter community. Maybe even offering a lease option for companies to add their name to a building where the finance of the name of the building will be used for the promotion of affordable housing.
4. Regarding innovative financing models: As previously stated, we feel that the current HCID HHH PSH program is working well and no major changes are needed. Overall we feel that it is good for the City to encourage innovation, however the City should maintain its focus on leveraging other State and Federal Affordable Housing funding programs. Specifically, HCID has made great strides in utilizing HHH funds with the 4% Low Income Housing Tax Credit program, which is an abundant and non-competitive resource, and HCID should continue down this path. Regarding innovative construction models: As previously stated, we do not feel there are any specific changes to the HCID HHH PSH program needed to address this matter, the regulations already encourage developers to propose innovative models. The City should look into ways to streamline the approval process for modular construction and provide technical assistance developers proposing to use modular construction, which has the potential to reduce construction costs and timelines.
5. Free market competition is what will ultimately move the needle and the proposed pilot project moves us in that direction. Thank you.
6. 1. Rather than incentivizing particular housing types, the HHH Pilot Program should support projects that can deliver on specific outcomes such as: a. Lower cost per complete unit (not per bedroom) than traditionally financed projects –at least 20%, perhaps 30% less than the average per unit cost. Additional cost reductions could be incentivized by providing higher scoring for projects that provide further reductions in the average per unit costs. b. Shorter construction periods than traditionally financed projects over 35 units less than 1 year. c. Shorter predevelopment periods (site acquisition to construction closing) than traditionally financed projects - less than 1 year. d. Potential for scalability of the production model. 2. The Pilot Program should also evaluate whether the proposed housing will truly function as permanent housing for the occupants and be a home where they feel they can live comfortably and independently for the long-term. 3. The Pilot Program needs to clearly define “innovative” and “high quality”. 4. What developer fee will be allowed, if projects are not using other public financing sources and especially low-income housing tax credits will not be used? While developers should earn a reasonable fee for their commitment of time and resources, smaller projects should receive a lower developer fee to ensure that developer fees are not disproportional to the total development costs (excluding developer fee). 5. ACOF supports making the HHH Pilot Program a competitive process 6. Funding for the Pilot Program should come from the 20% portion of HHH funds that are less restrictive, as recommended by HCIDLA. 7. We encourage the City Council and Mayor to identify and

implement any flexibility it can over laws and ordinances governing the Prop HHH Program and City contracts as recommended by HCIDLA before the roll out of the Prop HHH Pilot Program and to consider taking steps to create additional flexibility for all supportive housing projects in the City to help reduce costs and shorten development timeframes. 8. To the extent possible, turnaround times to review and approve waivers from program requirements should be short and the process should be clearly outlined to minimize uncertainty and delays to the project schedule. 9. Background checks: Clearing the background check process is time consuming, requiring considerable staff time to resolve and delaying construction closings. The software the City uses has numerous glitches which make projects in compliance appear to be out of compliance and information in the system is often not current. Due to the difficulties in obtaining clear background checks, developers new to the HCIDLA will have an unfair advantage over developers who have a large portfolio of supportive and affordable housing projects in the City of Los Angeles for both the HHH Pilot Program and regular HHH Program. Until the system is operating smoothly, the City should give HCIDLA staff discretion whether the items out of compliance are material and/or substantive enough to warrant delays in providing funding commitments, closing loans or allowing borrowers to draw funds. 10. Ability to close and access HHH funds quickly: a. The Pilot Program should be set up in a way that makes it easy for HHH Pilot Program funding to be subordinate to conventional debt or financing from investors, including when the senior debt needs to be refinanced. b. If HHH Pilot Program funds are being accessed during construction, the closing timeline and process should be consistent with the timeline and process of closing a conventional construction loan. In addition, developers need to be able to draw on HHH Pilot funds as quickly as they could draw on conventional debt, especially if the goal is to reduce development costs by using HHH pilot funds with below market rate interest rates rather than conventional loans.

