Preserving PSH in Los Angeles: What Will it Take?

Sheraton Grand Los Angeles
October 22, 2018

PROGRAM OVERVIEW

- Welcome
- Program Overview
- Call to Action
- Key Findings and Observations
- Public Policy Recommendations
- Panel Discussion + Q&A
Call to Action:
Why Does it Matter?

- Extend Affordability
- Quality of Life for Residents
- Improve Cash Flow
- Physical Needs
- Mission-driven Owner Capacity
- System Scaling

Los Angeles
PSH Preservation Initiative

Rehabilitating Aging PSH Buildings
Lessons from the Field

Los Angeles PSH Preservation Initiative

- Develop a strategy to have residents involved and engaged throughout the rehabilitation. Once an overview is provided to them, residents who are involved in activities and are given a role to help in the decision-making process.
- Encourage residents to participate in decision-making processes to ensure their input is considered. This involvement helps to create a sense of ownership and encourages participation.
- Develop a comprehensive plan that includes timelines and milestones to ensure the preservation initiative is successful.
- Encourage residents to provide feedback on the preservation initiatives, ensuring their voices are heard and their concerns are addressed.
Barriers: How Did We Get Here?

Key Findings and Observations
**Key Findings:**

- 1,300 units identified as at-risk across workgroup
- 75% of projects are at breakeven operations or worse
- Median original construction date = 1928
- 62% are Single Room Occupancy (SRO) units
- 97% of projects have HCID or CRA financing; 33% with State HCD
- Oldest PSH buildings are concentrated geographically
  - City of Los Angeles: CD 14 (39%) and CD 13 (21%)
  - County of Los Angeles: SD 1 (42%) and SD 3 (46%)
- 300+ units lack project-based rental assistance
- 300+ units set to expire in next 5 years
- Nearly ½ of units required less than $20K/unit

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**Project Distribution (by City Council District)**

![Project Distribution Chart](chart.png)
**Project Distribution (by Supervisorial District)**

- SD 1: 42%
- SD 2: 12%
- SD 3: 46%

**Project Distribution (by Service Planning Area)**

- SPA 4: 73%
- SPA 6: 6%
- SPA 2: 21%
Financial Health (by Projects)

- Cash Flowing 24%
- Unable to Fund Expenses 40%
- Breaking Even 36%

Total Rehab Cost (per unit)

- Percent of Units
- $20,000 or less
- $20,000 - $35,000
- $35,000 - $50,000
- $50,000 - $100,000
- $100,000+

Rehab Cost
Public Policy Recommendations

What Have We Learned?

- PSH is a unique model to create, operate, and sustain
- 25% of workgroup portfolio is at-risk
- Capacity building grants have been critical tools
- Financial impact of serving high-acuity still unknown
- RAD candidates exist but limited experience in the sector
- Existing financial tools can't respond to diversity of need; not all projects will need resyndication
- Resyndications are complicated, like two deals in one
- Opportunity to coordinate resource and policy decisions across jurisdictions
**Recommendations**

- Mitigate Operating Cost Escalations
- Set Priorities
- Protect Expiring Covenants
- Dedicate or Prioritize Capital
- Modify Rent Subsidies
- Funder Alignment
- PSH Preservation

**Where Are We Going?**

- Expand risk assessment – what else is out there?
- Cultivate learning from grants and early resyndication projects
- Advocate for dedicated capital source (e.g., Linkage Fee)
- Partner with HCID to set initial priorities (e.g. SROs)
- Engage funders and stakeholders across CA
- HCID experience is instructive, focused on modernizing agreements, but has limits:
  - Extending covenants and loans (making co-terminous)
  - Conducting CASP assessments
  - Asset management fees
  - Social services cost allowances
  - Modifying reserve requirements
  - Restructuring cash flow distributions
- Coordinate with City, County, and State to align funder policies.
Panel Discussion

THANK YOU