Los Angeles PSH Preservation Training Series – Session #3

Effective Coordination Between Asset Management and Housing Development

December 7, 2017
Agenda

- Welcome and Introductions
- Los Angeles PSH Preservation Initiative: Year In Review
- Panel Presentation
  - Peter Enzminger, Skid Row Housing Trust
  - Malen Rodriguez, Hollywood Community Housing Corporation
  - Terry Simons, A Community of Friends
  - Marc Tousignant, Enterprise Community Partners (moderator)
Key finding: only 6 of 39 LIHTC PSH projects were projected to operate successfully during extended use period w/out capital improvements.
Call to Action: Why Should We Preserve PSH?

Efficient Systems

Sustainable Organizations

Stable Projects

Thriving People
Call to Action: Why Should We Preserve PSH?

- **System**
  - PSH is a proven cost-effective investment
  - Aging PSH is at the frontline of CES implementation and system scaling
  - Considerably less expensive than new construction

- **Organization**
  - Struggling assets at breakeven operations or worse compromise PSH developer capacity to meet accelerated pipeline targets

- **Project**
  - Modernize aging building infrastructure, address accessibility, seismic, and energy efficiency upgrades
  - Create space for on-site services and renovate common areas and courtyards
  - Restructure insufficient, dated rental subsidies to generate cash flow

- **People**
  - Improved building environment raises the health, safety, and quality of life for residents in recovery
Los Angeles PSH Preservation Initiative

- Launched in 2016
- Supported by the Conrad N. Hilton Foundation
- Capacity Building
  - PSH Preservation Workgroup (peer knowledge exchange)
  - Trainings
    - Occupied Rehabs
    - PSH Resyndication
    - Year 15
    - Interdepartmental Coordination
- Grants: awarded over $200K to nonprofits
- Public Policy
  - Assess risk in aging portfolio
  - Preservation project tracking tool
  - White paper

Rehabilitating Aging PSH Buildings
Lessons from the Field

Background

The rehabilitation of an existing affordable housing development is a complicated endeavor that requires a lot of coordination and flexibility and presents completely different challenges than new construction. The task is much more delicate with the rehab of an occupied permanent supportive housing (PSH) building, ensuring that residents’ needs are met during building renovations. In Los Angeles, many PSH developers are turning to an aging portfolio to reconfigure properties physically and financially to meet the modern demands of housing PSH populations, which among other things require security, privacy and sufficient space for on-site supportive services and activities.

To inform this document, Enterprise spoke with PSH developers in the Los Angeles area that have successfully managed a rehab and the balancing act that goes along with financing and managing the rehab process while minimizing disruptions to vulnerable, formerly homeless residents who are still connected to supportive services. This document draws from their perspectives to distill some of the more valuable lessons they learned during the process.

Resident Awareness and Engagement

Executing a successful rehab project takes its toll on the organizational staff. Throughout the rehab process, housing owners need to remain focused on how the work will impact the residents. Keeping the resident perspective in mind at the outset can potentially avoid larger and more costly difficulties as the work progresses. Here are a few resident-related considerations that are worth noting.

- Execute a strategy to keep residents informed and engaged throughout the rehab cycle. Just as you would develop a services plan for an individual resident, the developer should look to the supportive services and property management teams to create a specific plan for the building to ensure that events, activities, classes, meals, even such routine things as laundry services, can be continued without interruption. One critical decision is whether residents will be relocated to a set number of floating vacant units until the rehab is completed, or relocated off-site.
- Once that approach is formalized, it is imperative to communicate that strategy directly to the residents. Establish regular meetings with residents and make sure that information is provided to them in writing, including dates for key activities, so that it serves as a handy reference and can be shared more easily with others.
- One developer cited the importance of creating an informational “handbook” that walks through such key questions as “What should I expect?” and “Who should I talk to?” if there is a particular question to resolve.
Financial Health (by Projects)

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

- All the units are located within the City of Los Angeles
- 32 out of 33 at-risk projects have either CRA or HCIDLA funding
- 45% of projects require $20K/unit or less in rehab costs
- 62% of units are SROs (no bath or kitchen)
- Year Built: Median = 1928
- Expiring Affordability Covenants:
  - 133 CRA units are set to expire in the next five years;
  - 251 HCD units during the same time period
- Rent subsidies:
  - CoC Rental Assistance – 449 units
  - McKinney Mod Rehab SRO Section 8 – 368 units
  - Unsubsidized – 306 units
Next Steps

- Sustain PSH Preservation Workgroup
- Continue to examine needs of aging PSH portfolio
- Track preservation cohort progress
- Share learnings more broadly with PSH development community (white paper publication)
- Lift out best practices as more examples emerge
- Provide technical support to local finance agencies
- Advocate for public policy implementation
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