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~~Priority~~: Communication from the public



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Councilmember Felipe Fuentes  
Councilmember Herb J. Wesson, Jr.  
Councilmember Joe Buscaino  
Councilmember Curren D. Price, Jr.

**Re: Concern about the request from HCID to assess fees related to affordable housing land use covenants and regulatory agreements**

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Dear Housing Committee Members:

Our understanding is that the City's Housing and Community Investment Department (HCID) is proposing to impose several fee related to the agency's administration and monitoring of affordability land use covenants. Most of the fees seem reasonable and feasible for affordable housing projects to absorb. We also appreciate the efforts that HCID is undertaking to ensure that building owners are in compliance with their commitments to provide affordable housing and we empathize with the departments needs to find ways to cover its cost for doing business. We want to thank Rushmore Cervantes and his staff for meeting with us to discuss the proposed fees and for discussing our questions and concerns about this issue.

**As an affordable housing developer with 27 projects in the City of Los Angeles that serve homeless individuals, Skid Row Housing Trust is compelled to express our concern to the Committee specifically about the proposed monitoring fees that we feel will have negative impacts on future affordable housing projects.** The proposed monitoring fee is \$206 per unit per year that would be payable up front to cover ongoing monitoring required over the 30 year term of the covenant. Although we fully support increased funding for the Affordable Housing Trust Fund and are supportive of staff's efforts to recover costs for administering and monitoring land use covenants, we feel that this fee is much too high and will jeopardize the financial viability of developing affordable housing in Los Angeles.

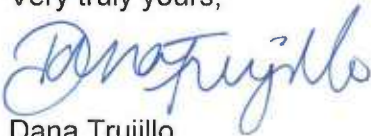
With regards to the monitoring fees, it is reasonable that the City is charging for this as is common practice in our industry; however, the proposed monitoring fee is not reasonable as is significantly higher than what other agencies charge. The proposed fee of \$206 per unit per year over 30 years is effectively an upfront monitoring fee of \$6,180 per unit (\$206 per unit per year x 30 years). **The proposed HCID fee for monitoring is 15 times higher than what the California Tax Credit Allocation Committee (TCAC) monitoring fee (\$410 per unit) and over 11 times higher than the Los Angeles County Community Development Commission monitoring fee (\$518 per unit).** Moreover, those

agencies monitor for 55 years versus the 30 years that HCID is monitoring the land use covenants. While we understand that the \$206 per unit per year was determined by the CAO's office as the true cost of the City for monitoring these covenants, we think the City needs to either (a) evaluate its methods and procedures to develop a more cost-efficient way to do monitoring, or (b) identify a different way to supplement that cost other than passing it onto affordable housing projects. It is possible that the cost to these other agencies to monitor is higher than what they are charging per project, but if that is the case, they have been able to cover that cost with alternative sources. We think HCID needs to do the same.

**Additionally, because the fees are so high they make City of Los Angeles developments less competitive for Low Income Housing Tax Credits, the primary financing vehicle for affordable housing, when we are competing against other jurisdictions for allocations such as special needs and homeless.** Based on the proposed fee of \$206 per unit per year, a 50-unit affordable housing project would incur a cost of \$309,000 (\$206 per unit x 50 units x 30 years). Such a significant cost increases the total development cost for City of LA projects, effectively lowering tiebreaker scoring. Even within the geographic apportionment where there are only City of LA projects, it still has a negative impact because it makes it harder for projects to meet the cost limitations imposed by TCAC (the 130% test).

Passing on this high cost to an affordable housing project is counterproductive in the City's efforts to produce more affordable housing. We believe the City needs to find a sustainable way to fund HCID and the Affordable Housing Trust Fund. I would be happy to speak further about these issues should you wish to do so, and can be reached at 213-683-0522 x123 or [dana@skidrow.org](mailto:dana@skidrow.org).

Very truly yours,



Dana Trujillo  
Housing Development Director

Cc: Rushmore Cervantes