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April 3, 2019  
 VIA E-MAIL AND REGULAR MAIL

Los Angeles City Council  
 Homelessness and Poverty Committee  
 c/o City Clerk  
 200 N. Spring Street, Room 395  
 Los Angeles, California 90012

Date: 4-3-19  
 Submitted in HP Committee  
 Council File No: 17-0090-54  
 Item No.: 4  
 Deputy: PUBLIC

Re: **Council File 17-0090-S4 – RECOMMENDATION RELATIVE TO PROP HHH HOUSING CHALLENGE DRAFT REQUEST FOR PROPOSAL**

Dear Honorable City Councilmembers:

We represent LSA Capital, Inc. (“LSA Capital”), an affordable and supportive housing developer whose various projects throughout the City of Los Angeles (“City”) provide innovative, cost-effective, and expeditious solutions to the homelessness crisis. In connection with the current draft RFP for the HHH Housing Challenge, we wish to bring to your attention one specific RFP requirement that constrains the ability of developers like LSA Capital to produce housing units as quickly as the homelessness crisis requires and can additionally lead to increased costs per unit: a blanket prohibition on use of outside debt issuers that can issue bonds quickly to meet the urgent timeline of HHH funded projects.

As described below, allowing for alternative issuers to be utilized by applicants at the initial borrowing stage of a project would greatly increase the ability of the City to realize more units of affordable and supportive housing in the event that the Los Angeles Housing + Community Investment Department’s (“HCIDLA”) managed pipeline delays project construction and unit delivery. Understanding the importance of long term compliance oversight, we suggest changes that simply facilitate faster issuance of bonds at the initial borrowing stage of a project while retaining HCIDLA oversight from project completion through the compliance period.

**I. Existing HHH Challenge Language**

The express goal of the HHH Housing Challenge is to identify “innovative housing production and/or financial models that can produce supportive and/or affordable units with funding from Proposition HHH (Prop HHH), completed no more than (2) years from funding contract execution.” (HHH Housing Challenge, Section II.A.)

However, in its current form, the proposed HHH Housing Challenge RFP language offers no flexibility in terms of issuer options, mandating that HCIDLA be the sole authorized bond issuer.

Unfortunately, this has already created a bottleneck at HCIDLA under the existing HHH Program which has resulted in significant time lags and the possibility of missed milestones for numerous projects in the



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City. Due to realities of the existing HHH managed pipeline, the current language under the HHH Challenge is unrealistic in light of the function of the challenge to produce units within the next two years.

## II. Proposed Revision

A small but significant improvement could be made to provide applicants with the ability to utilize bond issuers other than HCIDLA, which would offer quicker processing times for applicants and ease the existing backlog and limited staffing/resources at HCIDLA.

We would recommend that under the “Prop HHH Reservation” procedure, project applicants be authorized to utilize outside issuers of tax-exempt bonds and low-income housing tax credits for purposes of the construction of the project. At the same time, LSA Capital recognizes and agrees with the need to preserve HCIDLA’s current role as long term overseer of covenants and audit requirements through the compliance period. Nonetheless, HCIDLA should not be the lone issuer available to applicants at the initial borrowing stages—other issuers should be allowed to issue, and applicants should be authorized to borrow, against an applicant’s commitment letter.

To this effect, suggested revised language is as follows:

### **BOND ISSUER PROJECT REQUIREMENT (PAGE 5, 6)**

- Application Type. Proposers may submit only one application for either a:
  - Subordinate Loan (with similar terms and underwriting policies and procedures of the current Prop HHH Loan Program, which can found at <https://hcidla.lacity.org/prop-hhh-terms-regulations>) to support an individual project for which the Proposer already has site control, or Prop HHH Reservation (of up to \$40m) for Development Teams that which to pursue multiple projects and/or alternative financing strategies other than the current Prop HHH Loan Program. **If the financing structure utilizes tax-exempt bonds and low-income housing tax credits, an outside bond issuer may be utilized if it is determined pursuant to an opt-out application that the City is not able to issue tax-exempt bonds with the proposed schedule submitted by the Development Team, and only if Prop HHH funds are not funded until construction completion.** Proposers seeking a Prop HHH reservation under this category are not required to demonstrate site control. However, if site control is not secured by the time of the application, Proposers should demonstrate that their proposed acquisition strategy is feasible as described in Section V, Application Guidelines and Proposal Package Instructions.

The above requested change would further enable expeditious development and bringing permanent supportive housing units online.



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**III. Conclusion**

The HHH Housing Challenge holds great promise to increase the number of supportive housing units throughout the City and we look forward to the opportunity to participate in the process. In order to create a low-barrier RFP that solicits the best and brightest ideas from the private sector, we respectfully request that the Committee consider the change to the RFP, as outlined above. Please do not hesitate to reach out if you have any further questions or need more information.

Respectfully,

**DLA Piper LLP (US)**

A handwritten signature in black ink, appearing to read 'Matt Nichols'.

Matt Nichols

cc: Eric Garcetti, Mayor  
LSA Capital, Inc.