



Board Report

File #: 2020-0208, File Type: Program

Agenda Number: 9.

PLANNING AND PROGRAMMING COMMITTEE MAY 20, 2020

SUBJECT: METRO AFFORDABLE TRANSIT CONNECTED HOUSING PROGRAM

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING revisions to the Metro Affordable Transit Connected Housing Program (MATCH Program), as further described in Attachment A; and
- B. AUTHORIZING the CEO or his designee to execute necessary agreements and amendments to agreements related to the MATCH Program.

ISSUE

Revisions to the MATCH Program are needed to expand flexibility and deployment of funds to support affordable housing. In August 2016, the Metro Board of Directors approved investing \$9,000,000 into the MATCH Program. After three years of implementing the MATCH Program, and in response to recent economic shock resulting from the COVID-19 health crisis, staff has identified several opportunities to improve the MATCH Program and maximize the deployment of resources to support the development and preservation of affordable housing units in Los Angeles County.

BACKGROUND

The MATCH Program's primary goal is to help neighborhoods near transit that are experiencing rising housing costs, resulting in the potential displacement of low-income households. When the Program was developed in 2016, it was envisioned that this goal would be achieved through two types of loans:

- *Predevelopment Loan*: Metro provides predevelopment financing for new affordable housing projects. Experienced developers with site control typically finish construction within 2-3 years of the predevelopment loan closing.
- *Housing + Transportation (H+T) Loan*: In the short term, the H+T Loan assists property owners/investors/developers to keep rents low in existing multi-family buildings that are near transit. In the long term, the H+T loan is meant to assist the property

owners/investors/developers in redeveloping the sites at a higher density and affordable rents.

MATCH LLC was formed in 2017 by Metro, Community Development Financial Institutions (“CDFI’s”) and funding partners (“Funding Partners”) to administer the MATCH Program’s revolving loan fund. The partners are composed of:

- *Funding Partners:* California Community Foundation (CCF), California Endowment (CE), and Weingart Foundation (WF);
- *CDFIs:* Low Income Investment Fund (LIIF), Local Initiatives Support Corporation (LISC), and Enterprise Community Partners (ECP).

The Funding Partners have committed to matching Metro’s \$9 million investment for a total investment of \$18 million. Additionally, LIIF has been the administrative agent of the MATCH Program and has managed the day-to-day administration.

To date, Metro and its Funding Partners have made available an equal share of \$12 million which has financed predevelopment activities to construct six new projects with 523 new affordable housing units and to preserve 32 naturally occurring affordable housing units (with plans for the site to be redeveloped into 100 new income-restricted affordable housing units).

DISCUSSION

Findings

- Housing and economic indicators suggest that housing affordability is one the most important issues facing Los Angeles County.
- While funding for affordable housing generally is scarce or insufficient, predevelopment funding is particularly needed to support housing projects during what is often a multi-year process of project planning, entitlements, and securing construction and permanent funding resources.
- Impacts associated with the COVID-19 pandemic are likely to result in delays in securing funding commitments and project approvals as public and private entities respond and adapt to the crisis. Such delays may result in longer holding periods, leading to higher predevelopment expenses, and greater need for predevelopment financing.
- Metro can support/accelerate the construction of affordable units by providing the flexibility identified in consult with partners, who have an intimate knowledge of the gaps and needs for funding affordable housing.
- By responding to this need now, especially when it is so critically needed, staff believes Metro can best achieve the original intent of the MATCH Program.

Program Modifications

Based on three years of operating the MATCH Program, Metro staff and our partners have learned best practices to maximize the leveraging potential of the MATCH funds. In addition, to nimbly respond to economic impacts associated with the COVID-19 pandemic, staff is requesting the following modifications to the MATCH guidelines, as further described in Attachment A:

1. *Loan Types*: Allow for increased flexibility in the types of loans given by making 50% of funds available for either predevelopment or H+T loans.

LOAN TYPE	CURRENT MAXIMUM ALLOCATION (%)	CURRENT MAXIMUM ALLOCATION (\$)	REVISED MAXIMUM ALLOCATION (%)	REVISED MAXIMUM ALLOCATION (\$)
Predevelopment Loan	25%	\$4,500,000	25%	\$4,500,000
H+T Loan	75%	\$13,500,000	25%	\$4,500,000
Flexible: H+T or Predevelopment Loans	-	-	50%	\$9,000,000
TOTAL	100%	\$18,000,000	100%	\$18,000,000

2. *Exposure limits of MATCH LLC*: Increase the maximum principal balance in predevelopment loans to a sponsor/borrower, while adding a cap to the total maximum principal balance (regardless of loan type) to a sponsor/borrower.

PER SPONSOR/BORROWER (MATCH LLC PARTICIPATION)	CURRENT	REVISED
Maximum Principal Balance of Predevelopment Loans	\$1,500,000	\$2,000,000
Maximum Principal Balance of H+T Loans	\$2,000,000	\$2,000,000
Maximum Total Principal Balance of Any Combination of Loans	-	\$3,000,000

3. *Origination period*: Adjust the origination period to allow for a two-year extension beyond the current origination period which ends in August 2020. The two-year extension shall be composed of a one-year base extension and an additional one-year extension option that could be exercised administratively.

Equity Platform

The MATCH Program has been developed with guidance and input from our Program partners and is focused on directing resources where need is greatest. As such, the Program and recommendations before the Board directly relate to the Equity Platform's pillars to: I. Define and Measure; II. Listen and Learn; and III. Focus and Deliver.

DETERMINATION OF SAFETY IMPACT

The recommended action will not have any direct impact on safety.

FINANCIAL IMPACT

The previous Board actions approved funding in the amount of \$9,000,000 for the MATCH Program. Of that amount, \$6,000,000 has been disbursed to the MATCH Program and made available to borrowers. Since this is a multi-year program, the Chief Planning Officer, Project Manager and Cost Center Manager will be responsible and accountable for budgeting the remaining \$3,000,000 in program funds in future fiscal years to the extent available.

Impact to Budget

The source of funds for the MATCH Program is General Funds which are eligible for bus/rail operating and capital expenses. The actions authorizing changes to the MATCH Program guidelines does not require additional budgetary commitments at this time.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The staff recommendation supports implementation of Vision 2028 Strategic Plan Goal 3.2, to catalyze transit-oriented communities and stabilize neighborhoods, as well as Goal 3.4, by playing a strong leadership role in efforts to address homelessness in LA County.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the recommended changes or to modify the recommendations. However, this is not advisable as the recommendations are consistent with carrying out the intent of the MATCH Program to leverage public, private and philanthropic resources to expand the production and preservation of affordable housing.

NEXT STEPS

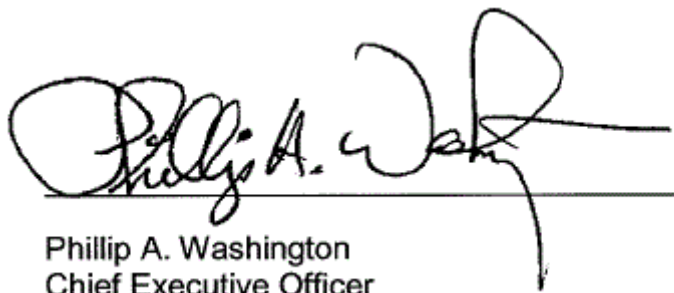
Upon approval by the Board, staff would draft the necessary amendments to the existing agreements with our partners to implement the recommended changes to the MATCH Program.

ATTACHMENTS

Attachment A - Revised MATCH Guidelines

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