

SECTION IX LEVERAGING OF RESOURCES

This section provides an overview of leveraging of Consolidated Plan funds from the perspective of overall city activities. Earlier in the CAPER report, individual leveraging actions by departments and agencies were identified in connection with individual projects.

Leveraging of resources means that the city, whenever possible, identifies and uses other public and private funds, which, together with federal housing and community development funds better increases the amount of money that the city can commit to complete a project.

Leveraging does not refer to required match of funds for projects. Some grant programs require that the city commit local funds, which can be as little as five percent or as much as fifty percent or more before the grant can be approved. Match can be in the form of local funds, other federal and state grant funds and tax credits, or in-kind services, such as labor and materials.

CDBG, unlike many other grant programs, does not require a match from the City. An additional advantage is that CDBG funds can be used to pay the non-federal share of other grant programs, such as a local share requirement.

Nevertheless, the Consolidated Plan regulations specify that, wherever possible, grantees shall attempt to obtain other public and private funds to pay for projects identified in the Consolidated Plan. And the CAPER must include an explanation of how HUD resources leveraged public and private funds. This section will set forth how city departments and agencies identified and used other funds to leverage funding through the four grant programs covered by the Consolidated Plan.

Background

The City uses a variety of public and private resources to fulfill HUD's National Objectives; that is, to provide decent housing, a suitable living environment, and expanded job opportunities for residents. Consolidated Plan resources such as CDBG, HOME, HOPWA and ESG provide most of the funds for housing, community development, and economic revitalization activities.

However, no one source can meet all of the needs within the city, and federal money often cannot cover the cost of projects alone. Funds appropriated by Congress for cities and counties continue to shrink, due to a greater number of governments participating in federal grant programs. Another problem is that annually, Congress approves set asides from programs such as CDBG that are identified for special purposes, such as disadvantaged youth or for Native Americans.

Advantage of Leveraging

Leveraging permits the City of Los Angeles to coordinate activities among city departments, allied city agencies such as the Community Redevelopment Agency and the Housing Authority of the City of Los Angeles; and contracted service providers. A broad-based pool of money allows flexibility, and permits the city to leverage Consolidated Plan funds with other dollars. The table located at the end of this section summarizes the known sources and amounts of leveraged funds for Program Year 2003-2004 activities.

The major resources in the City's strategy include:

- **Public Sector:** The City of Los Angeles uses resources from the CDBG, HOME, ESG, HOPWA, Public Housing Authority Capital Grant Program, and special grants awarded by HUD (for example, the 1998 HUD award to the Los Angeles Housing Department for lead-based paint abatement) to fulfill its overall priorities and strategies. CDBG dollars have also been expanded through the Section 108 Loan Guarantee Program to allow the city to borrow additional funds against future allocations of CDBG assistance to meet immediate housing, community development and economic revitalization needs. In the city's redevelopment project areas, tax increment dollars, land sale proceeds, and proceeds of bond issues provide additional funding for

housing and economic development projects, thereby leveraging CDBG dollars. Federal EDI (Economic Development Initiative) grant funds also leverage Section 108 and CDBG resources.

- **Private Sector:** The City works with the lending community to provide funds to meet the needs of communities throughout the city. The Community Reinvestment Act (CRA) helps low and moderate-income small business owners and first-time homebuyers to overcome barriers in securing loans. The City and its contractors also work closely with minority lending institutions and CDFI (Community Development Financial Institutions) in encouraging investment in low-income areas of the City.
- **Housing Programs:** The City leverages and links resources among various programs to further housing activities, including federal and state housing tax credits. Housing activities demanding the greatest form of non-Federal leveraging include multifamily rental housing, particularly new construction, and large rehabilitation projects that often include acquisition costs.

The City's New Construction and Acquisition/Rehabilitation housing development programs, administered by the LAHD, are highly successful in leveraging HOME and CDBG funds through use of tax credit equity, bank loans, grants, and other public and private sources. The City has also established an Affordable Housing Trust Fund (AHTF); the Mayor of Los Angeles has identified this need as a high priority, and has proposed increasing the amount committed to the fund to an eventual \$100 million. The AHTF contributed \$4,061,209 in furthering LAHD's New Construction program.

In addition to federal funds, the Los Angeles Housing Department maintains tax-exempt bond authority to finance multifamily affordable rental housing. This authority requires that no less than 20% of units funded under bond loans are made available to households earning at or below 50% of the area median income, with rents at no less than 10% below market levels. All remaining units must benefit households earning at or below 60% of the area median income.

An example of how additional funds leverage existing Consolidated Plan resources would be the North Hollywood Commons project, which included a Section 108 Loan Guarantee, an Economic Development Initiative (EDI) grant, Tax Increment Bond proceeds and Tax Increment funds, a CDBG float loan, HOME funds, Housing Trust funds, and a developer contribution.

Other non-LAHD funding sources typically include Federal and State Low Income Housing Tax Credits, State of California Multifamily Housing Program assistance, Tax Credit Review funds, Los Angeles County Rental Housing program assistance, City of Industry funds, Federal Home Loan Bank (FHLB) Affordable Housing Program subsidies and private bank loans. Non-LAHD funding sources contributed \$17,311,620 to LAHD managed housing developments, indicating that HOME funds are leveraged with other funds at a one to five ratio.

While public funding exists to address the needs of PWAs and their families, only two federal grants are specific to this population. The two federal programs are the HOPWA Grant and the Ryan White CARE Act. The County of Los Angeles Office of AIDS Programs and Policy (OAPP) provides oversight for Ryan White funding that is primarily for health care. In addition to Federal Programs, there are also State, County and local programs that provide funding. Those programs assist low-income individuals and families, but they are not specific to PWAs. Each HOPWA contractor receives funding from a variety of sources including other federal grants such as Section 8, fund raising, private grants, charitable donations, etc.

HOPWA funds are leveraged against other funding sources including: Los Angeles County of Industry, United States Department of Housing and Urban Development (HUD) Capital Advances, deferred costs, County of Los Angeles Department of Health Services, California Department of Housing and Community Development, City of Los Angeles Housing Trust Fund and the City of Los Angeles Community Development Department. In addition, HOPWA Contractors/Developers provide matching social services for HOPWA Development and HOPWA Rental Assistance Program components.

The Los Angeles Housing Department's New Construction Program has been highly successful in leveraging CDBG and HOME funds with a combination of tax credit equity, bank loans, grants and other federal dollars. This permits the city to provide a wide range of public services to many low-income city residents. CDBG funds are also matched with other funds available, such as Proposition A - Transportation fund, Proposition C - Recreational Funds, and Proposition K - Child and Day Care funds, general funds, and other local resources.

Leveraging of Public and Private Resources for Housing Development

The total development cost for the 17 new housing development projects is \$124.2 million. The project received \$17.6 million in HOME funds, and \$8.7 million in other City funds totaling \$26.3 million. Other sources such as Federal and State Low Income Rental Housing Program, LA County City of Industry Funds, FHLB Affordable Housing Program Subsidies, and private bank loans contributed \$97.9 million. HOME and other City funds are leveraged with other funds 1 to 4.

Each LAHD-administered program does not directly require HOME matching requirements. LAHD computes by year the total HOME funds expended and then calculates the 25% match requirements. The matching requirements are then satisfied by funds deemed permissible by HUD, such as non-Federal sources (Municipal Housing Finance Funds, the City of Los Angeles affordable Housing Trust Fund) and amounts permitted when LAHD issues tax exempt mortgage revenue bonds.

Economic Development

The Mayor's Office of Economic Development (MOED), the Community Redevelopment Agency (CRA) and the Industrial and Commercial Development Division (ICD) of CDD are the principal players in designing and carrying out economic development and revitalization activities within the City of Los Angeles, and often significantly leverage funds other than Consolidated Plan resources.

Examples of Leveraging of Consolidated Plan Funds Selected Federal and State Grant Funds

- Older Americans Act Title III-E Family Caregiver Support Funds (\$187,000)
- Older Americans Act Title III-E Family Caregiver Support One Time-Only Funds (\$165,000)
- Community Services Block Grant (Public Services)
- Economic Development Administration funds (Economic development projects)
- Ryan White Care Act (HOPWA Program)
- California Department of Housing and Community Development
- Capital Grant Program (Housing Authority)
- Proposition 46 Multifamily Housing Bond proceeds (Housing development)
- State Low Income Housing Tax Credits (Housing development)
- HUD Section 202 and 811 funds (seniors and disabled housing projects)
- HUD Section 8 SRO Moderate Rehabilitation funds (rental units for the homeless)
- HUD Shelter + Care funds (permanent housing with supportive services for the disabled)
- HUD Lead Grant II funds (Lead remediation in City housing)
- HUD Supportive Housing Program (SHP)

Examples of Leveraging of Consolidated Plan Resources, Other Sources

- Tax Credit Equity Funds (HOPWA Social Services)
- Enterprise Foundation (HOPWA Development)
- Developers (provide matching for HOPWA Development)
- Los Angeles County Industry Special Needs Program (HOPWA Development)
- Local Initiative Support Corporation (HOPWA Development)
- Community Development Financial Institutions (housing activities)
- Tax Increment Funds (Community Redevelopment Agency project areas)
- Department of Water and Power
- City of Industry funds (Housing)

Affordable Housing Trust Fund – High Leverage Program

On February 11, 2003, the Mayor and City Council adopted the concept of the High Leverage Program (HLP) for the Affordable Housing Trust Fund. The concept was predicated on the requirement that, as a condition of receiving a Letter of Funding Commitment from the Affordable Housing Trust Fund, project sponsors would be required to comply with the following basic criteria:

- Project sponsors must apply to HCD for an award of funds under the Proposition 46 Multifamily Housing Program, Supportive Housing Program or Preservation Program; or
- Project sponsors must apply to TCAC for an award of 9% Tax Credits; or
- A project sponsor who has a commitment from HUD under the Section 202/811 Program must apply to HCD for an award of Proposition 46 Multifamily Housing Program Funds.

LAHD is recommending projects which: (1) appear to be competitive under CDHCD or TCAC guidelines or have a HUD 811 Commitment; (2) have reasonable costs per unit; (3) have reasonable per unit City subsidies; and (4) have reasonable ratios of City subsidies to the total development cost. Projects, which are not being recommended do not appear competitive, have higher than reasonable costs per unit or City subsidies per project, or require City subsidies at an unreasonable ratio to the total development cost.

The basis for not recommending a project is tied to a determination on whether a project at least meets the five project priority criteria. LAHD is not rejecting these applications. Instead, the Department will notify the project developers who are not receiving a Letter of Commitment, that they should apply under the Round 2 of the High Leverage Program. LAHD will also advise the developers on what steps should be taken to improve their application. LAHD will share the staff report that summarizes the project description and evaluation with each developer. The HLP gives priority to:

- Projects that received funding commitments from LAHD under the 2002 NOFA as 9% LIHTC transactions that can now be converted to Tax-Exempt Bond 4% transactions.
- Projects under the 2002 NOFA that exceeded threshold criteria, but were not funded.
- Projects that have existing HUD Section 202 or 811 commitments.
- Projects that have already received a funding commitment or loan approval from either the LAHD for CRA, and which require additional gap funding.
- Projects that have not received any funding commitments from the City, but which otherwise would qualify, and be competitive, for either MHP funding or 9% LIHTC. LAHD has also recommended three new priority projects:
- Projects that receive or will apply for funding under the Los Angeles County Community Development Commission – City of Industry Program.
- Projects that applied under Round 1, but were not awarded funding, but, with minor adjustments, could reapply and competitive successfully.
- **Leveraging of HSDS Resources**

The City continues to leverage multiple resources to improve the ability of the HSDS to mitigate conditions affecting people in poverty and to enhance family self-sufficiency. Each year, the City combines CDBG funding for the HSDS with Community Services Block Grant (CSBG) funding to maximize financial support to non-profit partners in the HSDS. The annual amount of CSBG funding leveraged with CDBG dollars for the HSDS was approximately \$5,500,000 for Program Year 2003-2004.

For example, the FDN case management feature is a vital component in the City's ability to attract \$500,000 in additional federal funding for the Individual Development Account (IDA) program. The IDA program is a demonstration program helping lower-income families become more self-sufficient through the acquisition of assets, such as a first home, or capitalization of a small business. Other IDA demonstration projects across the country have identified the need for comprehensive case management as a key component to this program's success. Because the City already has this infrastructure in place, residents enrolled in the IDA program have a much higher chance of success. During the 2003-2004 program year, over 90 accounts have been established.

The City has also leveraged a \$2.3 million grant from the State of California Office of Traffic Safety to provide traffic safety education through community-based organizations such as the FDNs to low-income persons in Los Angeles. This grant was renewed in 2004-2005 for \$750,000.

Other Leveraging Resources

LAHD also has substantial experience with projects which leverage HUD 202/811 funding and City of Industry funds awards by the County of Los Angeles. As such, LAHD would also encourage developers to continue to utilize the aforementioned funding resources.

ACTIONS TAKEN TO IMPLEMENT OVERALL STRATEGY

In addition to allocating and monitoring the use of federal housing and community development funds, the City took many actions that helped residents with low incomes enjoy safe, affordable housing and better communities to live in. This section describes those actions, from fair housing initiatives, to public housing improvements, helping the homeless, and more.

Other Public and Private Resources

In the areas of housing and community development, funds available from HOME, CDBG, ESG and HOPWA grants were complemented by and leveraged a broad range of other public and private improvements.

- **Housing Assistance**

The city has identified several sources of funds provided in Program Year 2003-2004 for housing related activities, not including many private sector contributions. Nearly half of this is federal dollars supporting public housing and Section 8 Rental Assistance offered through the Housing Authority of the City of Los Angeles (HACLA). Of the remainder, \$146,357,335 was federal formula grant funding through HOME, CDBG, HOPWA and ESG.

Most of the other funds are state and local dollars. Activities include new construction, acquisition and rehabilitation of single- and multi-family housing, home repair, capacity building, pre-development costs, rental assistance, support for housing operations, homelessness prevention, emergency shelters and other homeless programs.

The City cannot rely on Consolidated Plan funds alone in meeting the many social, economic, housing and community development needs of its residents. Other money, both public and private furthers the impact of federal and state housing and community development funds. In many cases, grants provide needed matching funds required when applying for other sources of federal assistance. CDBG is the only one of the four grants that does not have a match requirement; HOPWA, ESG, and HOME grants have match requirements, strict participation requirements, and are specialized in nature.

CDBG, on the other hand, is a broad-based, flexible source of funds that can be used alone, or in combination with other federal, state, local and private funds for a variety of housing, community

development, and economic development project activities. That is not to say that the four grants act independently of each other; HOME and CDBG funds are combined to undertake housing activities, for example. CDBG funds, combined with ESG resources, further the impact and effectiveness of homeless programs in the city. HOME and HOPWA funds were combined to provide HOPWA Tenant Based Rental Assistance (TBRA) and HOPWA Development funding to PWAs and their families.