



HHH COC Meeting

Prop HHH Operating Costs and Occupancy Update

August 19, 2022



AGENDA



- Goal of Presentation
- Operating Cost Study
- Occupancy Status
- Q & A



GOAL

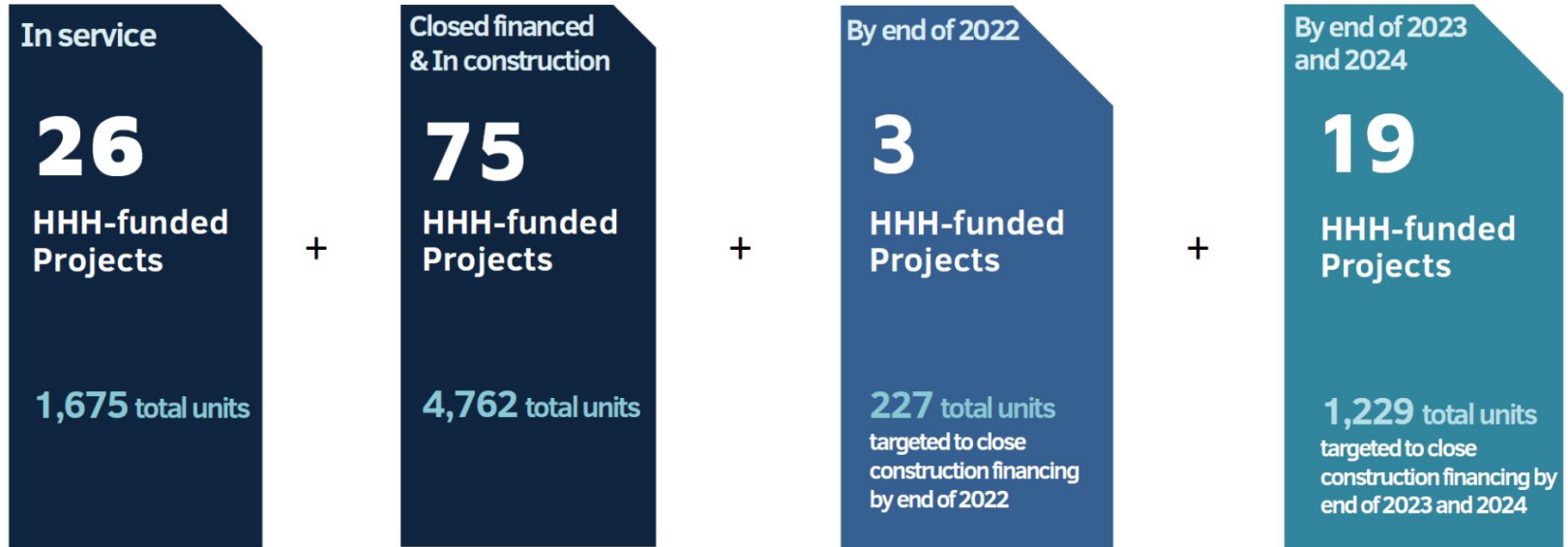


To provide an update to COC on HHH operating cost study and occupancy

HHH Summary



123 HHH Projects (7,893 Total Units)



Average HHH subsidy \$130,000 per unit.

LAHD -07/30/2022

Overview – Operating Expenses

Permanent Supportive Housing (PSH) projects are critical to addressing the housing crisis throughout the City. However, with today's economic climate, many projects monitored by LAHD are starting to show signs of struggling financially.

Concerned that higher operating costs may be the reason, LAHD performed an analysis on projects in the Department's portfolio to determine whether rising operating expenses have impacted affordable housing projects.

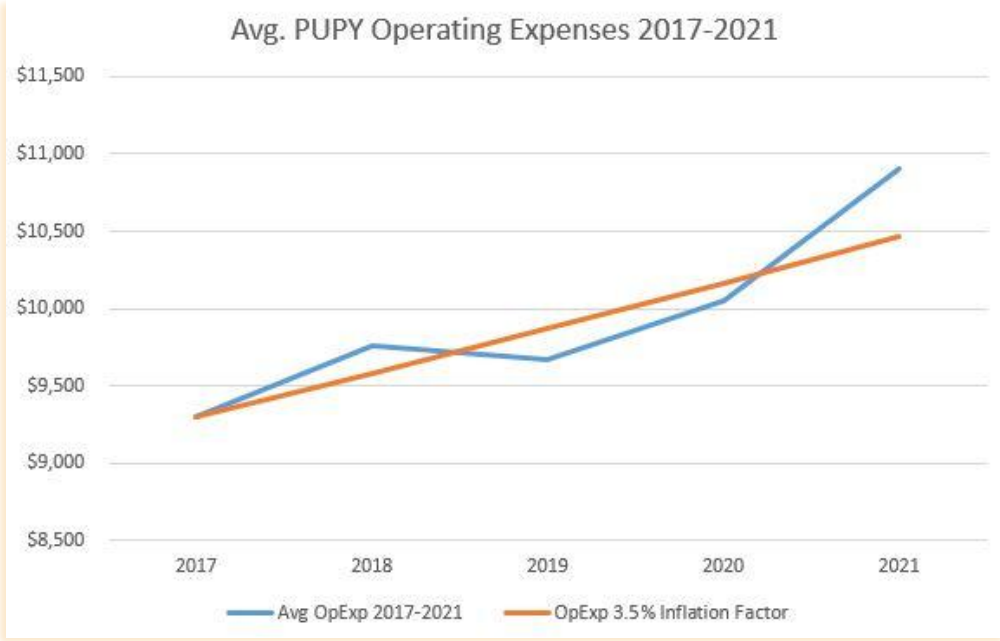
LAHD sampled 60 PSH projects and reviewed 288 audits.

Operating Expenses



Due to inflation, prices are going up precipitously.

Per LAHD's analysis, it appears that PSH projects are being affected, as operating expenses are increasing.



*Data is current as of 08/12/2022

PUPY Operating Expenses - Analysis



Overall, per unit per year (PUPY) operating expenses are increasing on average by over 4% annually.

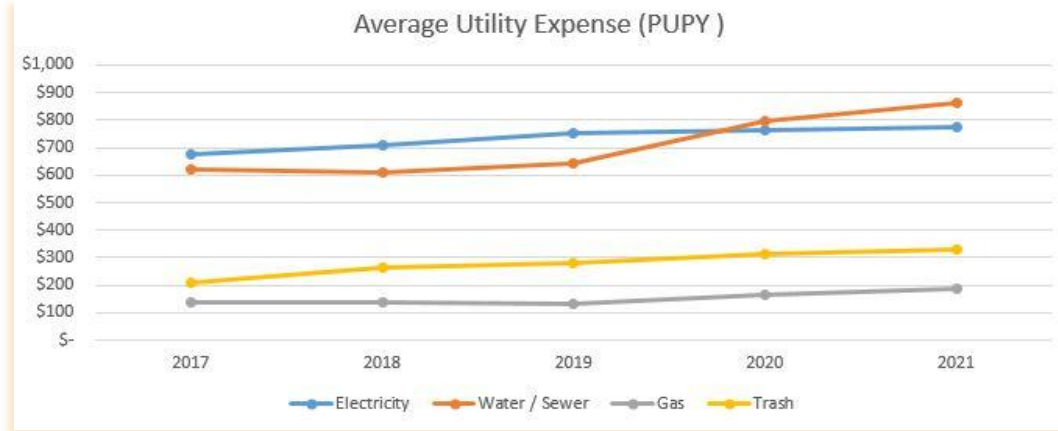
The large increase in Tax and Insurance can be attributed to property insurance increasing by over 14% from 2019 to 2020 and another 22% from 2020 to 2021.

| | 2017 | 2018 | % Change 2017 - 2018 | 2019 | % Change 2018 - 2019 | 2020 | % Change 2019 - 2020 | 2021 | % Change 2020 - 2021 |
|-------------------------------------|---------|---------|-------------------------|---------|-------------------------|----------|-------------------------|----------|-------------------------|
| Avg. PUPY Admin Expenses | \$3,427 | \$3,446 | 1% | \$3,646 | 6% | \$3,757 | 3% | \$3,962 | 5% |
| Avg. PUPY Total Utilities | \$1,437 | \$1,460 | 2% | \$1,520 | 4% | \$1,713 | 13% | \$1,825 | 7% |
| Avg. PUPY Operating and Maintenance | \$3,124 | \$3,501 | 12% | \$3,368 | -4% | \$3,297 | -2% | \$3,509 | 6% |
| Avg. PUPY Tax and Insurance | \$1,176 | \$1,329 | 13% | \$1,115 | -16% | \$1,267 | 14% | \$1,549 | 22% |
| Avg. PUPY Total Operating Expenses | \$9,303 | \$9,758 | 5% | \$9,668 | -1% | \$10,054 | 4% | \$10,905 | 8% |

Utilities Costs are Increasing



Utilities appear to be consistently going up over the years. With a sharp increase of 13% from 2019 to 2020 and another 7% from 2020 to 2021. Electricity, water, and trash have increased significantly from 2017 to 2021.

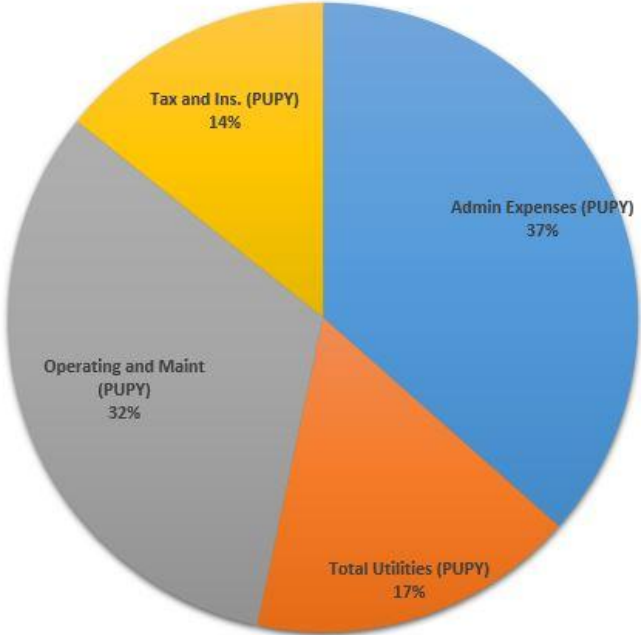


Average Operating Expenses



In 2021 Tax, Insurance and Utilities made up over 30% of the total operating expenses per project.

Average Operating Expenses (PUPY) 2021



How LAHD Will Address Challenges



3 Phase Approach to Assisting Projects

PHASE 1:

Continue to monitor the entire portfolio to track the progress and changes

PHASE 2:

Engage with specific projects affected by spikes in operating costs

PHASE 3:

Provide necessary technical assistance

Overview - HHH Lease-Up Progress



26 Projects Ready for Occupancy

Total Restricted Units for all 26 projects: 1,645

Total Restricted Unit lease up Count: 1,441

Average lease up % for all projects: 89%

All Projects are over 50% lease up

10 Projects at 100% Leased Up

Represents 608 restricted units

16 Projects are currently leasing up

Represents 1,037 restricted units

833 restricted units are currently leased up



**[Of the 16]
11 projects
FY 21-22
Range from 69% to 98%
Lease up**

**[Of the 16]
5 projects
FY 20-21 and range
from 58% to 89%
Lease Up**

Lease Up Challenges



Based on direct contact with developers, management companies and service providers, challenges to leasing up HHH units include:

- Multiple funding requirements for tenant selection
 - Prop HHH requires half of its units set aside for chronically homeless, (i.e. continually homeless for over one year), which adds another layer of requirements beyond AMI
- Developers find it difficult to work with third party organizations to find prospective residents using systems that are not easy to navigate
- Challenges to processing referrals for new rental subsidies; partner organizations require further coordination, which further impedes process

Lease Up Challenges



Specifically, for units designated for veterans:

- Veterans who are experiencing homelessness, who are service-connected, will often exceed 30% AMI income requirements. Vet units at 30%AMI will take longer to fill.
- Agencies provide veteran clients with various housing options, including receiving a portable rental voucher, which will allow client to have more choices. Some vets prefer a portable voucher over a PSH unit.

How LAHD is Addressing Challenges



4 Phase Approach to Assisting Projects

PHASE 1:
Review inventory,
track lease-up
percentages

PHASE 2:
Review
PMPs, collect
matrix of all
restrictions

PHASE 3:
Convene
meetings with
public agencies
+ developer,
provide matrix
comments

PHASE 4:
Identify
projects that
are leasing up
at slower
pace



QUESTIONS?





Thank you!