

Attachment 1

Los Angeles County Pilot Project to House the Homeless In Accessory Dwelling Units

In February 2016, the Los Angeles County Board of Supervisors adopted the Approved Strategies to Combat Homelessness. Strategy F4 is the Development of a Second Dwelling Units Pilot Program and was initially capitalized with \$550,000 from the County General Fund. The Pilot Project is managed by the Department of Regional Planning (DRP) in the LA County Community Development Commission (LACDC). The Pilot Program has four major components:

1. Update the County's ADU Ordinance to comply with AB 2299 and SB 1069 and streamline the approval process.
2. Sponsor an architectural competition to "generate momentum and interest" for ADUs through engagement events and technical workshops.
3. Subsidize construction of new ADUs.
4. Subsidize preservation of existing, unpermitted ADUs.

To subsidize new ADU construction the County set-aside \$225,000 for property owners interested in building an ADU and renting it to a homeless person or household. The ADUs can be Junior ADUs, new construction, or conversion units. As of July 31, 2018, the LACDC had received more than 500 applications for the 2-3 loans available under the Pilot Project.

The County also set-aside \$145,000 to help owners bring 2-3 existing, unpermitted ADUs into compliance. LACDC is working on identifying qualifying ADUs through other programs managed by LACDC but there has not been as much interest in this program and the new construction program. LACDC staff attributed this, in part, to the unpermitted ADUs have been built to accommodate family members and the family's reluctance to accept non-family tenants.

The selected property owners will receive a soft second loan secured by a promissory note and deed of trust. The loan term is 10-years with 3% simple interest. Beginning in year six the loan is forgiven at the rate of 10% annually and fully forgiven at maturity if the property owner has continuously rented the ADU to a homeless person or household. Purchasers are required to repay the full loan amount if the property is sold during the first five years.

All prospective tenants for ADUs assisted through the Pilot Project are referred to property owners by either the County Department of Mental Health or the Housing Authority of the County of Los Angeles (HACoLA). All prospective tenants have Housing Choice Vouchers (HCV) rent subsidy payments and three other programs; 1) Holding Fees; 2) Move-In Assistance; and; 3) Damage Claims. Homeless Incentive Program (HIP) and Veterans Affairs Supportive Housing Program (VASH). The property owner and the HACoLA work together to identify and qualify tenants for the ADUs in the Pilot Project. Property owners are not required to rent to tenants they are uncomfortable with, provided they are not violating fair housing laws.

The Holding Fee program allows the HACoLA to pay property owners a fee to "hold" units while the HACoLA and property owner go through the process of selecting a tenant for an available unit. In areas with tight rental markets, this program means that property owners don't have as much financial incentive to rent to the first applicant interested in their rental property. Through the Move-In Assistance program the HACoLA may provide tenants with security deposits and utility assistance.

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The Damage Claims Program is an extra layer of assurance that property owners will not be left with repair costs more than what the security deposit covers. In cases where excessive damage is identified the property owner may submit a claim to the HACoLA to cover the difference.

The LACDC is a large agency that employs many people with specialized skills. This will allow the DRP to conduct the required prevailing wage monitoring at no cost to households receiving loans through the Pilot Program.