

MODELS FOR SCALING LACAHS

Proven Finance Models for Maximizing Affordable Housing Production and Preservation

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LABC Institute
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Dear Business and Community Leaders,

The Los Angeles Business Council Institute (LABCi) is pleased to share the findings from its newly-funded study entitled, *Models for Scaling LACAHSAs, Proven Finance Models for Maximizing Affordable Housing Production and Preservation*.

The LABC Institute was founded in 2010 to support research and education dedicated to strengthening the region's economic and environmental sustainability, developing policies and programs that promote housing affordability, clean energy, and equitable job growth.

This analysis offers a roadmap for the new Los Angeles County Affordable Housing Solutions Agency (LACAHSAs) to maximize new Measure A funding and scale up construction and preservation of affordable housing in Los Angeles County. The study examines proven financial models from around the country and considers a series of financing options available to LACAHSAs to maximize the impact of Measure A funds.

LACAHSAs's mission is "to make housing more affordable, help people stay in their homes, and increase housing options for people experiencing homelessness." Established by state legislation, it takes a regional approach to addressing the housing crisis. Measure A, a countywide sales tax, will dedicate nearly 36% of its revenues to LACAHSAs, largely to fund housing production and preservation. While 70% of this will pass through LACAHSAs directly to municipalities, around 30% will be retained for LACAHSAs, among which, about \$70 million per year will be available to fund housing development and preservation. Based on a reasonable estimate, our study shows that could be leveraged into \$200 million annually – **yielding as much as a \$2 billion fund for affordable housing over ten years.**

The County of Los Angeles faces a historic housing crisis that is driving up costs for renters, homebuyers, and developers alike, and it has been compounded by this year's devastating wildfires. The State's Regional Housing Needs Assessment (RHNA) sets a combined goal of more than 800,000 housing units across Los Angeles County by 2029, yet recent permitting of new housing has been historically low. LACAHSAs's new funding provides an opportunity to boost affordable housing production to get us closer to meeting our RHNA goals.

We would like to thank Turner Labs' Chief Executive Officer, Ben Metcalf, and Forsyth Street Advisors Managing Directors Daniela Greville and Julijs Liepins for their research and analysis. We are also grateful for the generous contributions of the foundations that funded this research: The Conrad N. Hilton Foundation and The Rosalinde and Arthur Gilbert Foundation.

Sincerely,



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EXECUTIVE SUMMARY

Public funding is vital for the production and preservation of affordable housing, but even greater amounts of private capital are also needed to address the severe shortage of homes for low-income households. Adapting innovative strategies from around the country can significantly scale the impact of new public funding for affordable housing in Los Angeles County created through ballot Measure A.

Approved by voters in November 2024, Measure A is a half-cent countywide sales tax to support affordable housing construction and preservation, homelessness prevention, and services for vulnerable renters. It is projected to generate over \$1 billion annually in new – and permanent – funding, much of which will be administered by the newly established Los Angeles County Affordable Housing Solutions Agency (LACAHSa) and shared with relevant government authorities in the County’s cities and unincorporated areas.

Initial Measure A revenue starts becoming available in June 2025. By law, 70% of the funds will pass through to these other jurisdictions. Yet LACAHSa will retain a significant portion – starting at approximately \$70 million annually but potentially growing – for directly-managed affordable housing production and preservation programs. Altogether this represents a tremendous potential for impact; indeed LACAHSa’s 2025/2026 expenditure report lays out a goal of funding 1,800 new units per year.¹

Reviewing successful housing finance models from around the country that are used to leverage public funds, this study identifies two primary strategies to most-effectively deploy the funds that LACAHSa retains. These market-driven approaches have the potential to unlock significant private capital to complement LACAHSa’s available Measure A resources and improve the delivery of affordable housing:

Accessing philanthropic and corporate funds through seeding an aligned but independent

nonprofit investment fund: Similar to the City and County of San Francisco, which contributed \$10 million in public funds to seed the Housing Accelerator Fund (HAF), LACAHSa could create a new, independent fund. In its first eight years, the HAF has leveraged investment from philanthropies, mission-oriented investors, and mainstream institutional investors to provide \$590 million in financing for the production or preservation of nearly 3,000 units.

Accessing the capital markets via a regional housing finance agency structure: Similar to the New York City Housing Development Corporation (NYCHDC), LACAHSa could tap capital markets by issuing tax-exempt and taxable bonds to fund construction and permanent loans for affordable housing. Over the past five years, NYCHDC has issued nearly \$10 billion in bonds, financing the production or preservation of over 50,000 units.

LACAHSa could deploy both strategies in tandem. And it starts with an advantage that neither the San Francisco nor New York models have: *immediate and predictable annual funding from Measure A, which will enhance LACAHSa’s ability to borrow and attract investment.*

¹<https://laca-hsa.gov/wp-content/uploads/2025/06/Adopted-LACA-HSA-FY25-26-Expenditure-Plan.pdf>

The reliability of Measure A funds enables LACAHSa to immediately tap capital markets through bond issuance that could generate \$200 million in annual financing capacity, or \$2 billion over 10 years, based on a model using moderate leverage. Seeding a nonprofit investment fund with \$5 million annually for 10 years could enable LACAHSa to leverage its cumulative \$50 million commitment to more than \$500 million over that period.

Done right, LACAHSa can use this opportunity to spur innovation that can shift practices across the broader affordable housing sector, implement policy changes to jumpstart affordable housing projects and help make them more cost-effective and impactful, and ensure housing-supply growth over the long-term.

The combination of a new permanent public funding source and an agency charged with a central role in allocating and administering those funds will reshape affordable housing finance in one of the nation's largest and most challenging housing markets. Successful efforts elsewhere show how creating pathways for programmatic investment from the private and philanthropic sectors, coordinated with public resources, can be transformative. And the timing of LACAHSa's new funding initiatives are particularly fortuitous given critical momentum and support for more broadly accelerating both affordable and market rate production coming from state leaders. The State of California's 2026 enacted budget bill not only included new pathways for expediting the entitlement of infill housing and an appropriation of approximately one billion dollars in affordable housing funding but also established a new cabinet level housing and homelessness agency expressly formed to better coordinate policy efforts both within the state government and across regional and local governmental agencies.



Engaging Philanthropy Through a New Fund

OVERVIEW

Widespread philanthropic and private-sector interest already exists for investing in affordable housing, particularly in the Los Angeles region. LACAHSAs has an opportunity to harness this interest and bring additional resources to financing affordable housing by establishing, supporting, and coordinating with these organizations through a new fund. This fund could take any of several forms, from being a new government-chartered nonprofit organization built from the ground up, to a joint venture with, or a project of, an existing community development financial institution (CDFI).

Collectively, the private and philanthropic sectors encompass the financial resources of (1) banks and other financial institutions, (2) corporations and employers, (3) foundations and other institutional philanthropy, and (4) individuals. Many of these stakeholders already invest in affordable housing, but do so in an ad hoc, individualized fashion. A new partnership, through the creation of a new fund closely aligned with the housing policy goals of LACAHSAs, can provide structure, scale, and systemic cohesion across Los Angeles County to these investments. The model has been deployed specifically for affordable housing in cities and regions across the country, examples of which are included as case studies in this study.

As part of this study we reviewed the following models²:

- **Housing Accelerator Fund (San Francisco Bay Area, California)**
- **The Housing Accelerator Loan Fund (Austin and Central Texas)**
- **Neighborhood Impact Investment Fund (Baltimore, Maryland)**
- **Charlotte Housing Opportunity Investment Fund (Charlotte, North Carolina)**
- **New Generation Fund (Los Angeles, California)**
- **Nashville Catalyst Fund (Nashville, Tennessee)**
- **New York City Acquisition Fund (New York, New York)**
- **Philadelphia Accelerator Fund (Philadelphia, Pennsylvania)**
- **RED Housing Fund (Santa Rosa and Sonoma County, California)**

For a new fund to be possible, all participants need to have a shared goal. Specifically, there needs to be policy alignment between the fund and the public agency's goals of increasing affordable housing production (production strategies), maintaining affordability in existing housing (preservation strategies), and/or protecting tenants from displacement (protection strategies). Furthermore, the

² Forsyth Street Advisors and/or Forsyth Street Asset Management provides services to the Housing Accelerator Fund, the Housing Accelerator Loan Fund, the Neighborhood Impact Investment Fund, the New Generation Fund, the New York City Acquisition Fund, the Nashville Catalyst Fund, and the RED Housing Fund.

OVERVIEW

goal must be investable: there must be a role for capital in addressing the problem, a set of financial products that delivers capital from the fund to specific projects that align with the partnership's goals, and returns available from the fund's activities that can be allocated to investors according to their requirements.

While a public agency can play an important role in seeding and coordinating the establishment of the fund, these funds are intentionally designed to be independent nonprofit organizations (or programs of) so they can respond nimbly to affordable housing opportunities that cannot easily be addressed by public agencies and be responsive to local housing finance opportunities accessible only to nonprofits.

These funds can scale and accelerate affordable housing investments by:

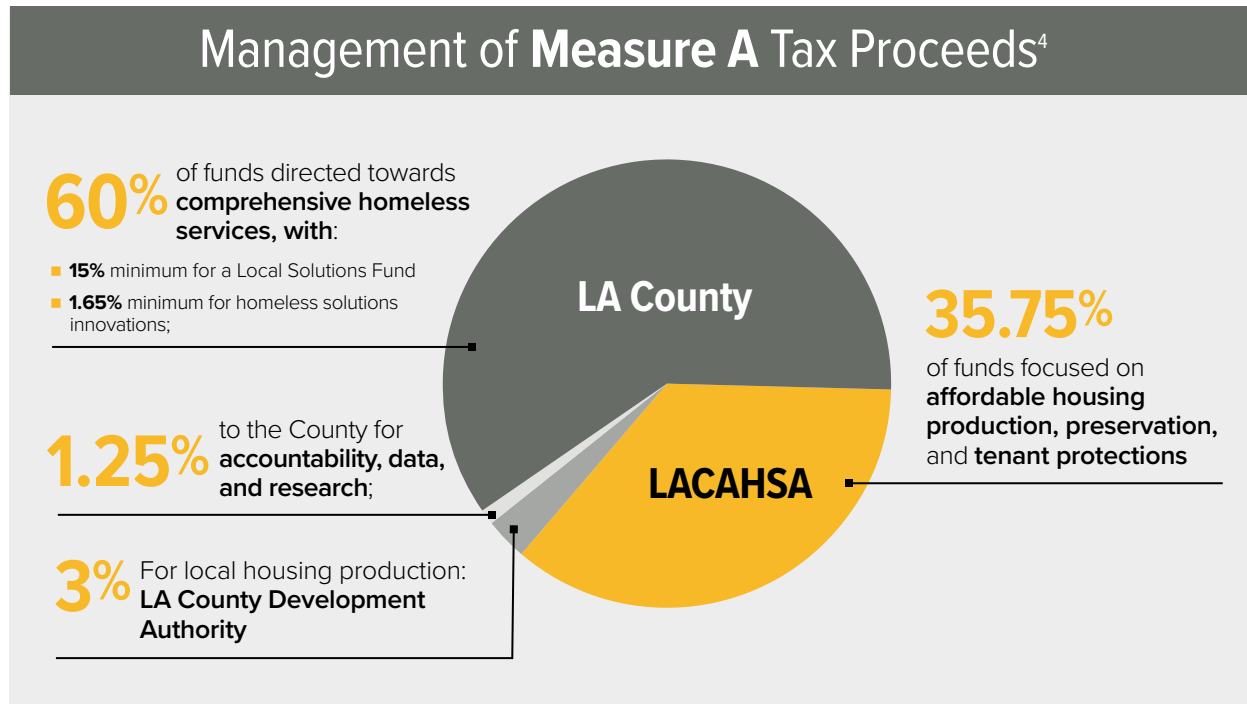
Raising outside capital at scale more freely than a government agency can – such as with philanthropic capital that may prefer to invest with a 501(c)(3) for charitable purposes.

Providing unique financial products that public agencies (or existing private financial institutions) can't, due to the blend of capital they aim to raise. These products can offer better terms than are otherwise available in the marketplace, such as higher loan-to-value or lower interest rates, as well as products that can reach hard-to-serve asset classes such as small preservation properties.

Providing third-party staffing that can complement the public agency's staff to quickly underwrite and close loans.

Across Los Angeles County, there are many areas of potential focus for a new fund, in both housing production and preservation. LACAHSAs draft Funding Metrics, which were prepared by LACAHSAs staff in March, anticipate that a fund could play a central role in financing preservation activities in coordination with local jurisdictions³. The fund's role could include, for example, providing short-to mid-term loans for the acquisition and stabilization of properties that are at risk of losing their affordability, whether due to market conditions or expiration of affordability restrictions. Particularly for properties that are not currently deed-restricted for affordability, the ability to move quickly to acquire is critical and often beyond the means of a public agency – the window of opportunity to intervene can be as short as 30-60 days. Preserving existing affordable housing can be a more cost-effective public investment than replacing lost housing with newly-constructed affordable housing .

³ <https://file.lacounty.gov/SDSInter/bos/supdocs/201190.pdf>



The loan fund could offer a single source for financing to keep projects stabilized and affordable, ensure light-touch urgent repairs can be completed, and buy time until permanent public subsidy can be accessed from an LA jurisdiction or other state or federal source. In particular, with Measure A funding available to many LA cities and the County, it's likely that demand for scarce state/federal resources that round out the affordable housing financing stack will be very high over the next several years. Bridge financing provided by the new fund can assist in lowering the competition and timing of a preservation project's asks for these scarce resources to moments when demand is lower.

Longer-term loans could also be provided, if the new fund is able to raise cost-effective long-term capital. The fund could also take on new construction for affordable housing activities – particularly to the extent that it can pilot new strategies and solutions for lower-cost or high impact projects in ways that are not readily available to other subsidy providers.

New funds can be challenging to implement, but they are a powerful path for the region to significantly increase its resources and scale its impact.

⁴ <https://file.lacounty.gov/SDSInter/bos/supdocs/201190.pdf>

IMPACT ON SCALE

LACAHSA has signaled its interest in seeding a new fund with \$5 million annually for ten years, up to a total \$50 million. This would be a major investment that could leverage significant additional philanthropic and private investment. In other jurisdictions, new funds focused on high-cost markets with similarities to LA, seeded with public sector investments of \$10 million or less, including the San Francisco Housing Accelerator Fund and the New York City Acquisition Fund, have grown to total capitalizations in the hundreds of millions of dollars, supporting the production and preservation of thousands of units. Based solely on dollar amount, a new fund launched in partnership with LACAHSA would have a similar potential to leverage half a billion dollars or more in additional investment from the private and philanthropic sectors over time; this leverage potential will depend extensively, however, on the specific financing products the fund intends to provide.

In addition to dollar amount, the terms and structure of LACAHSA's investment will have a significant impact on the partnership's ability to scale and its flexibility to provide catalytic financial products. Key terms and structural considerations include cost of capital, term of investment, risk-tolerance, permitted uses, and coordination of takeout financing:

Cost of capital directly impacts the ability of the partnership to cover its expenses while also delivering affordably priced loans and other financing to projects.

- Typically, public sector investments in partnerships are grants or loans at very low interest rates (0-1%) to support the operational sustainability of the partnership, deliver a greater benefit to projects, and reduce the need for additional public sector subsidy at a later date. Low-cost public sector investment also makes it more feasible for the fund to scale with additional investment from private sources, which often will be significantly more expensive and require blending with lower-cost sources.
- Private sector investments can come from a variety of funding sources, such as grants, loans, and equity. Grants, which don't require repayment, are the most helpful to launch. These can be used to cover start-up costs and initial operations until the fund generates revenue from its financial products to be self-sustaining. Loans can help the fund scale significantly, though they are most impactful if they can offer below-market interest rates to keep the fund's blended cost of capital as low as possible. The lower the cost to the fund, the better rates the fund can offer to project borrowers.

Market-Oriented Capital

Scales impact

Mission-Oriented Capital

Enables flexible financing terms

Public Seed Funding

Aligns the Funds with the Public Sector

Grants & Retained Earnings

Lowest Cost

Examples of Capital Sources and Roles

Term – the length of time for which an investment can be outstanding before it must be repaid – also directly impacts the partnership's leverage potential and product flexibility.

Investors in the partnership will want to be repaid before the public sector; thus, if the public sector investment requires repayment in 10 years, other sectors are unlikely to invest for longer than that. On the product side, the partnership can only invest in projects for as long as it has capital; a 10-year capital stack would support loans to projects for no longer than that. Increasingly, public sector investments in partnerships are for 20+ years, or structured as grants or long-term, forgivable loans, to support longer-term capital raising and longer-term financial products.

Risk tolerance is the willingness of a capital source to assume the risks of investing in the partnership. For a new fund, some of these risks include the ability of the partnership to operate sustainably over the term of the investment and the performance of the fund's investments in projects. Public sector investment in a fund often is structured with "first-loss," equity-like characteristics, meaning it is the first to pay for a loss incurred by the fund on any of its investments, or for any loss that would be incurred by any of the fund's other creditors in respect to their investments in the partnership. This mitigates private capital risk and enables private investment capital to come in at better rates and/or on better terms.

Permitted uses are the types of costs an investment may finance. In the affordable housing context, costs may include project predevelopment, acquisition, and construction costs. They include both hard costs (materials, labor, and equipment) as well as soft costs (fees for architectural, design, legal, accounting, entitlement, financing, and project management). Once the financial products the fund intends to provide are identified, it will be important that the capital it raises, including the public sector investment, has the flexibility to finance as many of these costs as possible. Furthermore, as a part of the credit structure of the fund's capitalization, the public sector investment may need to be available to pay for costs incurred at the partnership level.

Takeout financing is the anticipated repayment source, or sources, for loans and investments made by the fund. Typically, funds depend on public sector subsidy sources for a significant portion of their takeout. Funds are most efficiently able to deploy capital to projects when public sector takeout financing sources are clearly identified, predictable, and aligned with the fund's financing activities.

Many options exist for how to structure a new fund. An important consideration is whether it is best established as a part of an existing entity already engaged in affordable housing financing activities, or independently established and newly purpose-built from the ground up. Each approach has advantages and disadvantages. Establishing the partnership under the auspices of an existing entity – such as a joint venture with a CDFI (or potentially a foundation) – can be more expedient and can benefit from staff, capacities, and funder and partner relationships already in place. In contrast, creating a new entity may require more time and resources, but can result in a more durable partnership that better incorporates and balances the interests of all its stakeholders. Hybrid approaches that mix-and-match new and existing capacities are also possible. No single approach is uniformly preferred, as local conditions and capacities vary extensively from region to region.

As next steps, LACAHSa may want to consider hiring a consultant to build a new fund or issuing a request for proposals to which existing entities could respond. This partner, once formed/selected would then seek to further refine the area of focus for the intended fund, confirm the market needs preliminarily identified here, design financial products to meet those needs, and draft an implementation plan to fundraise around. Philanthropy and the private sector will need an understanding of the specific goals the fund will seek to achieve, clarity on how the fund intends to achieve those goals, and an account of how the fund's approach departs from the status quo. Once those are determined, they can form the core of a multi-sector fundraising push.

CASE STUDY

HOUSING ACCELERATOR FUND



The Housing Accelerator Fund (HAF) is a public-private-philanthropic fund that provides powerful new tools for producing and preserving affordable housing in the San Francisco Bay Area. As a fund specifically focused on another high-cost market in California with strong similarities to Los Angeles County, it is an especially relevant model.

Launched in April 2017, HAF was created in close coordination with the City and County of San Francisco. The fund was initially formed to alleviate two factors that were severely constraining affordable housing preservation and production in San Francisco: (i) existing capital for affordable housing development was already fully committed, and (ii) available new construction sites and preservation properties needed a nimble capital source to be quickly and successfully acquired for the City's affordable housing production pipeline, or, for the latter, to prevent displacement of existing low-income residents.

Initially, HAF was particularly focused on facilitating nonprofit acquisitions of "small sites" – 5- to 25-unit multifamily rental properties – in rapidly gentrifying neighborhoods, such as the Mission. At the time, value-add developers were acquiring properties in these neighborhoods and displacing long-term tenants in order to push up new rents. As an alternative, HAF would provide community-based organizations with short-term loans for close to 100% of the cost to acquire, rehabilitate, and stabilize the project, with existing tenants remaining in place. The fund's loan would ultimately be repaid with subsidy from the City's Small Sites Program plus, to the extent supportable, a permanent loan.

The HAF was seeded with a \$10 million loan from the City of San Francisco with a 20-year term at 0% interest. The City's loan is considered "first loss" – it is subordinate to all other funding sources on the fund's balance sheet and will absorb any financial losses prior to other funders. A key role of the public sector in launching such funds is to signal the public sector's commitment to specific housing policy initiatives and lead the way for other funders to participate. With the public funding committed, HAF was then able to raise approximately \$30 million in additional capital from foundations, corporations, and banks for its initial launch.

HAF was intentionally designed as an independent 501(c)(3) nonprofit with a flexible, versatile, and open-ended balance sheet that can respond to emerging policy priorities and provide capital to a wide range of project types. As an independent entity, the fund can be nimble and intervene more rapidly than public agencies typically can to facilitate the acquisition of strategic sites. However, as the City is a key provider of permanent takeout financing, HAF has a broad mandate to support housing and economic development initiatives important to the City and works in close coordination with the City's housing staff. This close coordination and alignment of policy objectives allows HAF to expand the pool of City pipeline-coordinated resources available for affordable housing preservation and production.



Photo Credit: Tenderloin Neighborhood Development Corporation

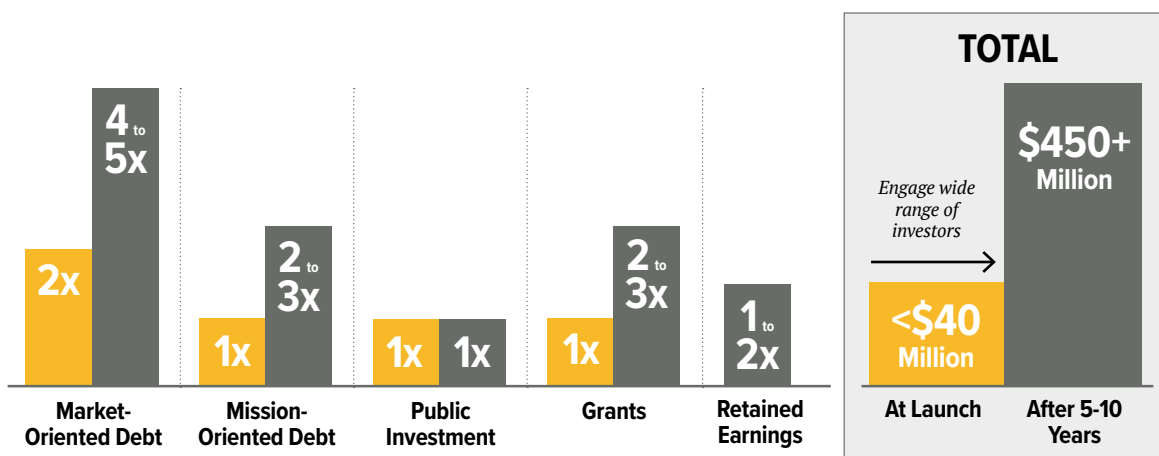
The San Francisco Housing Accelerator Fund gave a \$7.6 million loan to developer Tenderloin Neighborhood Development Corporation to refinance the acquisition of 921 Howard, consisting of 203 residential spaces with ground floor commercial space.

Further, HAF's staffing model combines in-house staff with third-party consultants and service providers. The hybrid approach helped to accelerate the fund's ramp-up at launch and allows HAF to plug in external resources when additional bandwidth or specific expertise is required. Initially, the HAF contracted with third parties for core functions including loan underwriting, closing, and servicing, asset management, accounting, activity tracking and reporting to stakeholders; as the HAF has grown, core functions have migrated in-house, with third-parties continuing to provide targeted support as needed.

In less than 8 years, HAF has achieved several measurable outcomes ⁵:

- Leveraged the City's initial public sector contribution of \$10 million (which was subsequently upsized to \$20 million), to attract over \$430 million in additional capital from financial institutions, corporations, foundations, and individuals.
- Invested \$590 million in 56 projects totaling 2,997 units. Of these units, 1,438 are supportive housing, and 1,559 are newly constructed or preserved affordable homes.
- Launched new housing programs and subsidiary funds in response to specific housing affordability needs across the Bay Area, including those focused on permanent supportive housing and projects using innovative construction and financing techniques. While its first loan products were shorter-term acquisition and rehabilitation/construction loans, it has since added senior and subordinate permanent loans.
- Expanded regionally and created new public sector partnerships. While the majority of projects are in HAF's hometown of San Francisco, HAF began serving the greater Bay Area in 2023, and has financed projects in Santa Clara, Marin, San Mateo, and Santa Cruz Counties.

Growth in Fund Capitalization Over Time



Investors:

Capital Markets • CRA-Motivated Financial Institutions • Banks • Corporations • Employers • Philanthropy • Foundations • Individuals • Public Agencies • State & Federal Programs • Donors • Operating Revenue

⁵As of 12/31/2024: [HAF's 2024 Statement of Social Impact](#)

OTHER COMPARABLE FUNDS OF NOTE

The Housing Accelerator Loan Fund (Austin and Central Texas), a \$16 million fund providing short-term loans for predevelopment, land acquisition, construction, and bridge financing. Funding sources include the City of Austin and the County of Travis, philanthropy, local employers, and banks. Launched in 2023 as a subsidiary of the Austin Community Foundation, by the end of 2024 it had made 7 loans totaling \$11.5 million to support 1,061 affordable and workforce housing units.⁶

Neighborhood Impact Investment Fund (Baltimore, Maryland), a nonprofit focused on specific neighborhoods identified in partnership with the City of Baltimore. NIIF lends and invests in real estate development projects and provides small business loans, often in partnership with another CDFI. Launched in 2019 with a \$51.7 million loan from the City, the fund has also attracted investment from foundations, banks, the Maryland Department of Housing and Community Development, and the CDFI Fund. Through 2024, the fund had closed on 46 investments totaling nearly \$60 million.⁷

Charlotte Housing Opportunity Investment Fund (Charlotte, North Carolina), a loan fund managed by LISC, a leading national CDFI. With \$43 million from investors and funders, CHOIF complements the \$42 million City of Charlotte Housing Trust Fund to provide coordinated public and private financing via a streamlined application process. Since its 2019 launch, CHOIF has helped to create or preserve 1,927 units across 14 projects.⁸

Nashville Catalyst Fund (Nashville, Tennessee), an affordable housing-focused partnership between the Metropolitan Government of Nashville, Davidson County, and the Community Foundation of Middle Tennessee. In conjunction with its 2024 launch, the fund closed on \$76 million in public, private, and philanthropic capital, including a \$20 million grant from Nashville Metro. The program is intended to provide early-stage capital for affordable housing production and preservation. The program closed on its first transaction, a \$450,000 loan for the acquisition and preservation of a four-unit affordable housing property, in March 2025.⁹

New York City Acquisition Fund (New York, New York), an early example of a structured revolving loan fund, jointly owned by Enterprise Community Partners and LISC. Its role is to provide early-stage acquisition and predevelopment loans for affordable housing production and preservation in close coordination with the City of New York. Established in 2006 with an \$8 million seed investment from the City, NYCAF has become an integral part of the City's approach to funding affordable housing. It maintains a \$204 million capitalization that, in addition to the City's investment, includes philanthropic and private-sector investment, much of it through a revolving credit agreement with a bank lender syndicate. It works closely with four CDFIs—CSH, Enterprise, LIIF, and LISC—to underwrite and service loans that bridge to long-term financing from the City and other sources. In 2024, NYCAF made its 100th loan, and had cumulatively invested \$760 million to support 16,597 units of affordable housing.

⁶ <https://www.austincf.org/wp-content/uploads/2025/02/HALF-Report-Final.pdf>

⁷ <https://www.baltimoreniif.org/wp-content/uploads/2025/02/2024-NIIF-Annual-Report-508.pdf>

⁸ https://b0b9b8a6-8245-499d-a6cf-aeb2041f31d8.usrfiles.com/ugd/50b680_714c9c7daf644d9791ed680e8ce8491b.pdf

⁹ <https://www.cfmt.org/stories/nashville-catalyst-fund-makes-first-investment-to-expand-affordable-housing-in-nashville/>

IMPACT ON SCALE

New Generation Fund (Los Angeles, California), a structured revolving loan fund set up as a subsidiary of Enterprise Community Partners, also a leading national CDFI. Modeled after the New York City Acquisition Fund, NGF launched in 2008 with \$10 million from City of Los Angeles General Fund that provides credit enhancement to the fund's private lenders. The fund maintains a \$65 million lending capacity to support the City's Affordable Housing Managed Pipeline.¹⁰ Six participating CDFIs—Century, CSH, Enterprise, Genesis LA, LIIF, and LISC—originate and service loans on behalf of the fund. NGF has loaned \$185 million to 31 projects, contributing to the creation or preservation of 2,882 units of affordable housing.

Philadelphia Accelerator Fund (Philadelphia, Pennsylvania), a nonprofit established in 2019. The fund was created in recognition of the need for a certified CDFI focused exclusively on financing affordable housing in Philadelphia; in 2024, it obtained CDFI certification. The fund's capital structure is supported by a \$10 million loan loss reserve raised from the City of Philadelphia and Philadelphia Redevelopment Authority. The City of Philadelphia, along with private lenders, also contributes to the fund's loan capital, which totals \$14.9 million. Several foundations have also contributed operating grants. In 2023-2024, the fund made its first nine loans, totaling \$6.3 million, to support development of 163 housing units.¹¹

RED Housing Fund (Santa Rosa and Sonoma County, California), a nonprofit created in 2021. The fund was established as part of the region's recovery from 2017 wildfires, using \$20 million in PG&E settlement funds (\$10 million each from the City of Santa Rosa and the County of Sonoma). Its purpose is to finance denser, multifamily infill development—a housing typology that contrasts with the region's predominant, lower-density development patterns. The fund has received operating support from philanthropy and local employers and raised additional lending capital from Enterprise and the state's Local Housing Trust Fund program, bringing its total lending capacity to \$22 million. The fund's inaugural funding round provided \$19.7 million in financing to six projects totaling 627 units. Its second funding round, in which \$5 million is available, is underway. Of note, many of the fund's loans are low-cost, long-term, construction-to-perm loans with terms of up to 18 years, which provides a significant benefit to projects but, in comparison to other loan funds that focus on shorter-term, bridge financing, slows the pace at which loan repayments become available to the fund and can be revolved into additional transactions.

¹⁰ <https://housing.lacity.gov/partners/new-generation-fund>

¹¹ https://issuu.com/octodesign/docs/paf_strategic_plan_2025-2029

Accessing the Capital Markets Through Bond Issuance

OVERVIEW

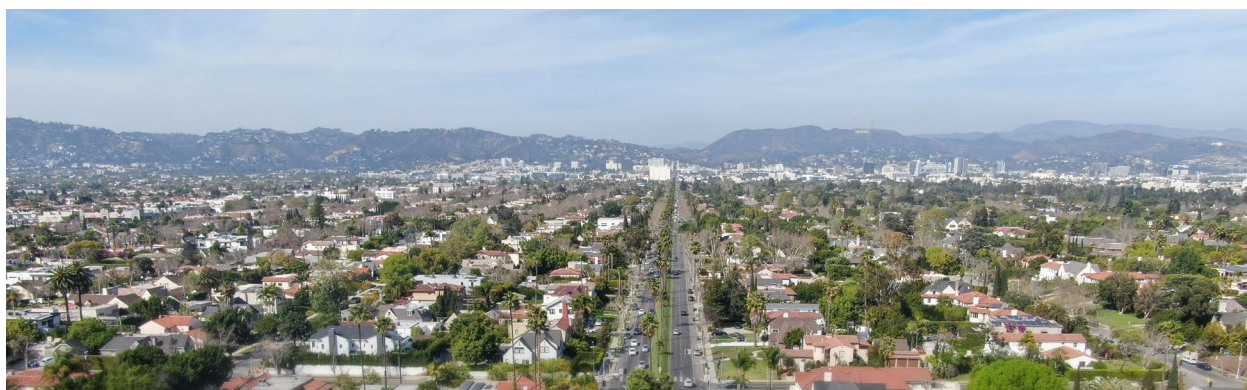
California Senate Bill 679, the 2022 legislation that established LACAHSa, provides the agency with broad powers to raise capital and provide financing for affordable housing. Among these powers, LACAHSa may incur debt and issue bonds, and may deploy its resources as grants, loans, equity, or in other forms.

These powers make it possible for LACAHSa to pursue strategies commonly used by housing finance agencies (HFAs) to obtain additional resources for their financing programs. HFAs access the capital markets by issuing bonds. When these agencies issue bonds, they are borrowing from institutional and individual investors. Investors provide capital, which must be repaid, at market rates of interest, over time. Proceeds from bond issuance are used to fund loans made to projects. With the additional resources from bond issuance, agencies can bring forward future revenue streams to make more loans to projects in the near term than they could otherwise.

Leading HFAs collectively issue billions in bonds annually and have developed efficient, replicable models. Bond issuance programs are variously structured to provide funding for a single project or for a pool of many projects at once. They may be structured to support a finite, specifically identified project or set of projects (“closed” indentures), or to allow issuance of additional bonds for additional projects over time (“open” indentures).

To reduce the cost of borrowing from the capital markets, increase flexibility, and improve the efficiency of their bond issuance programs, agencies may employ credit enhancement strategies. Credit enhancements can be put in place through approaches such as setting aside reserves, pledging additional collateral or revenue streams, guaranteeing timely payments of debt service and creditor repayment, or backstopping project performance.

More complex issuance structures require additional technical and financial capabilities. Leading HFAs have developed their capacities and track record over decades and maintain investment-grade ratings from credit rating agencies. They are comprehensively and professionally staffed to meet industry standards with respect to core capacities such as financial and asset management.



OVERVIEW

Existing bond issuance programs provide a blueprint for how LACAHSa can also efficiently access the capital markets. As part of our analysis for this report, we reviewed the following models:

- **New York City Housing Development Corporation** (New York, New York)
(detailed below in case study)
- **Joint Powers Authority (JPA)** workforce housing issuance programs
(various JPAs, California)¹²
- **Housing Opportunities Commission of Montgomery County**
(Montgomery County, Maryland)
- **King County Housing Authority** (King County, Washington), which issues
A and B notes to fund senior and subordinate project loans.
- Generally, the “**master trust indenture**” (**MTI**) model, as used by HFAs to issue
multiple bond series pursuant to the same indenture.

LACAHSa can draw from the examples of these other HFAs and can in some ways be even more ambitious: not only does it have the opportunity to build a best-in-class staff with the technical capacity to implement programmatic issuance programs modeled on HFA best practices, but it also benefits from a uniquely reliable Measure A funding stream that can provide financial strength and further enhance its issuance programs. This means that both **1) LACAHSa can grow its scale and impact much faster than other HFAs whose revenues have accumulated slowly as project financing is closed or loans paid off and 2) LACAHSa has a uniquely powerful ability to finance affordable projects entirely without other conventional affordable housing subsidy sources.**

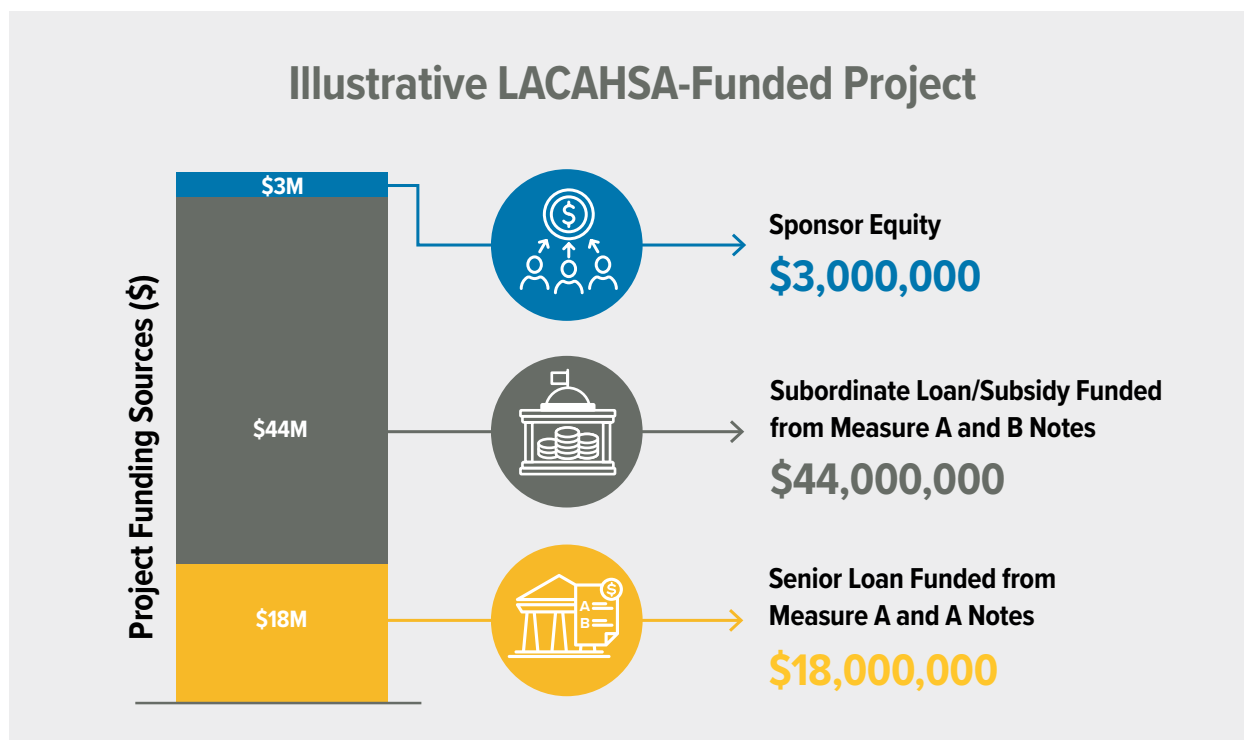
This latter ability is particularly helpful at a time when Measure A revenues being administered by other LA jurisdictions will be “priming the pump” for scarce state and federal affordable housing resources, such as low-income housing tax credits, and will be competing against each other. Accordingly, an HFA model may allow LACAHSa to serve a complementary role in the housing ecosystem vis-à-vis other LA public agencies.

¹² https://turnercenter.berkeley.edu/wp-content/uploads/2022/06/SPUR_The_ABCs_of_JPAs.pdf

IMPACT ON SCALE

Affordable housing projects in California commonly require a multi-layered “financing stack” to be feasible. Project rental revenue, net of operating costs, typically supports a senior loan. Subordinate debt and subsidy sources fund the balance of costs. This complex financing drives up costs. A recent study¹³ by the Turner Center found that each additional public funding source added approximately \$20,000 per unit in project costs and added four months of delay, solely as a result of the added administrative burden.

But sidestepping additional leverage sources typically severely limits the number of affordable housing units that can be built. For example, a typical 100-unit affordable housing development in the county may cost \$65 million to build. Assuming a mix of affordable rents consistent with LACAHSAs income targeting requirements and current market interest rates, this project may be able to support a \$18 million senior loan (28% of project costs). The project developer would be expected to contribute some equity; at 5% of project costs, this would be \$3 million. The remaining \$44 million (67%) would require subordinate debt or subsidy to be funded.



The potential cost to a public agency to directly fund this project would be up to \$62 million—the sum of the senior and subordinate funding amounts. If LACAHSAs were to fund this \$62 million directly from its annual Measure A funding, it would have few remaining funds to apply to additional affordable housing projects.

However, by employing an HFA model, LACAHSAs can reduce its upfront Measure A outlay to this project, and free up funding for additional projects. LACAHSAs can issue bonds to fund a portion of the senior project loan (“A notes”), and additional bonds to fund a portion of the subordinate project loan (“B notes”):

¹³ <https://turnercenter.berkeley.edu/blog/reducing-the-complexity-in-californias-affordable-housing-finance-system/>

- **“A notes”** are structured so that regularly scheduled debt service payments made by the project on the senior loan equal or exceed debt service due on the A notes. The difference, if any, between debt service paid by the project and debt service due on the A notes, would be revenue available to LACAHSAs. If LACAHSAs fund 80% of the senior project loan from A note issuance proceeds, it can reduce the share of the \$18 million loan funded from Measure A to \$3.6 million, freeing up \$14.4 million.
- **“B notes”** can be structured in a variety of ways. A challenge for LACAHSAs is that, at the affordable rent levels required by Measure A, remaining project cash flow after payment of operating expenses and senior loan debt service is marginal—estimated at less than \$200,000 per year to start from this 100-unit project, though with the potential to increase over time if project rental revenue growth outpaces escalation in expenses. Those residual receipts, on their own, could support B note issuance for only a small fraction of the required \$44 million subordinate loan (dependent on market conditions). To issue B notes at scale, those notes would need to be paid for and/or backstopped directly with future Measure A revenues.¹⁴

LACAHSAs can achieve more efficient executions with its bond issuance programs by pooling loans together and issuing A and B notes for a pool of projects simultaneously, rather than one-by-one. It can also seek to issue its bonds through “open,” rather than “closed,” bond indentures, and by layering in credit enhancements. Open indentures – as discussed below in the New York City Housing Development Corporation case study – provide the agency with the flexibility to issue additional bonds, secured by additional project loans, over time from the same indenture, and can create opportunities for the agency to separately manage indenture assets (project loans) and liabilities (bonds) to generate additional revenues and flexibility for the agency.

LACAHSAs can also seek to expand the range of financeable projects or underwrite deals more flexibly than conventional lenders. For example, it could choose to assume the presence of a small number of housing choice voucher holders in properties it finances because it can ensure appropriate marketing plans are in place. Similarly, it could choose to more consistently underwrite against public agency ground lease revenues. Traditional banks are often unable to provide financing against these future revenue sources because of underwriting difficulties associated with the public sector risk of those funding sources being maintained for the term of the loan. LACAHSAs, by its nature as a public agency, may be better positioned to take on that political risk.

Another key opportunity will be public lands. As a public agency, LACAHSAs can effectively coordinate with state, local and regional public agencies to accelerate and access land dispositions. The State of California has a surplus lands dashboard that identifies properties that they believe are unused by state and local agencies and developable – it currently indicates 144 opportunity sites. Since this is only self-reported data, it is likely a significant undercount. Requiring – or preferentially lending – to projects with below-market or donated public lands reduces or removes a key development cost and will keep costs (and necessary B note subsidy) minimized.

¹⁴ They could also be structured with a backloaded repayment schedule; this would, however, expose LACAHSAs and the project to significant operating and performance risks, as has recently been seen across the state with a number of middle-income projects financed using a B note structure.

IMPACT ON SCALE

In addition, LACAHSa can decrease the amount of subsidy required via B notes by requiring and/or preferentially targeting development opportunities that employ cost containment strategies as well as those that minimize the number of very-low income units in line with Measure A requirements and maximizing the number of units at or near 80% of area median income (which generates the maximal rent while still serving low-income households and which still unlock the welfare property tax exemption).

Leverage Scenarios			
	BASELINE	MODERATE	MAXIMUM
Revenues Borrowed Against:	Project Revenues	Project Revenues Some Measure A	Project Revenues Measure A Other Agency Revenues
LACAHSa Financing Capacity:	\$100 million/year	\$200 million/year	\$2 billion, one-time

To achieve sustainable scale, LACAHSa will need to balance the imperative to do as much as possible, as soon as possible, while also maintaining sound financial footing and investing in core capacities to grow as an institution for the long term:

In a baseline leverage scenario, LACAHSa would issue bonds only to the extent project revenues are projected to be able to reliably cover debt service on those bonds. We estimate achievable baseline leverage at approximately 33% of total project funding needs (after sponsor equity). Borrowing at this level maintains maximum flexibility for LACAHSa to continue funding the hard debt and subsidy needs for additional projects from a combination of proceeds from additional bond issuance and future Measure A inflows each year. It effectively increases \$70 million in annual Measure A revenue to nearly \$100 million that can be loaned to projects each year, increasing further each year thereafter based on increases to Measure A as well as achieved cash flows from subordinate loans. This leverage approach has the greatest potential to grow the agency's activities over time while maintaining strong financial metrics; in comparison with other leverage approaches, it does not, however, bring forward as much future funding to meet affordable housing needs today. This scenario assumes LACAHSa issues bonds for A notes repaid by projects' senior loans at 5% interest, 15 year term, 35 year amortization and a 1.15 DSC.

In a moderate leverage scenario, LACAHSa would support issuance of additional B notes, over and above levels supportable from project revenues alone, by pledging to pay for the difference on an ongoing basis from the agency's other revenues, including future Measure A receipts. In this scenario, LACAHSa seeks to achieve a "steady state" of sustainable financing activities. This approach obligates a share of LACAHSa's future Measure A funding streams to paying debt service to bondholders, for as long as the bonds are outstanding, but also brings forward funding to make additional projects possible immediately. LACAHSa is projected to be able to consistently sustain approximately \$200 million in annual financing activities. This scenario assumes LACAHSa issues bonds for A notes similar to the baseline leverage scenario, and issues additional bonds for B notes to provide subordinate loans to projects. The B notes are repaid primarily by Measure A revenue and some project revenues at terms of 5% interest, 15 year term and interest only payments until due.

IMPACT ON SCALE

In a maximal leverage scenario, LACAHSAs would seek to borrow on an accelerated basis, up to amounts it can service from a combination of project revenues, Measure A receipts, and any other agency revenues. We estimate the maximum amount LACAHSAs could borrow as approaching \$2 billion, depending on market conditions and depending as well on achieved project costs, rental rates, expenses, and Measure A receipts over time. Borrowing at this level would, however, be a “one-time” shot that would commit to bondholders the bulk of the agency’s future revenues for the next 35-40 years. This level of leverage would require LACAHSAs to have in place all of the necessary capacities to rapidly underwrite, originate, and service \$2 billion in loans, strong financial management, and strong asset management capacities that the capital market regards as top-tier. After originating and placing \$2 billion in loans, LACAHSAs would then shift to a compliance and loan servicing function as the revenues it would have available for additional financing activities over the next several decades would be reduced by the cost of servicing its existing bonded indebtedness. The timing of LACAHSAs’ next major financing effort would depend on the rate of growth in LACAHSAs’ revenues from Measure A, projects it finances, and other sources, as well as market conditions. This scenario assumes LACAHSAs issues bonds for A notes similar to the above scenarios and issues additional bonds for B notes to provide subordinate loans to projects in quantities sized to fully leverage all available Measure A revenues.

In addition to its role in funding affordable housing through a single-stop shop that sits outside the traditional scarce funding sources that other LA jurisdictions will be requiring, LACAHSAs should remain open over time to using its balance sheet and bonding authority to support collaborations with other LA jurisdictions for LIHTC-assisted affordable housing in other ways by:

- **Issuing additional bonds for projects** to which it is not also providing subsidy. However, LACAHSAs’ comparative advantage as a bond issuer will be diminished as the financial product it is offering is not substantially different than what is found elsewhere in the marketplace and will almost invariably require developers to access a range of other state and local subsidy sources to make the project pencil.
- **Offering a hard debt alternative backstop for LIHTC projects** that can’t otherwise get better financing terms from the debt markets (e.g., projects that have public sector operating subsidies or lease programs which conventional lenders have difficulty underwriting).
- **Providing local jurisdictions with an option to administer their subsidy sources for LIHTC projects** when doing so can be combined with LACAHSAs hard debt, creating a one-stop shop for all non-state funding originations, servicing, and asset monitoring.
- **Piloting one-off innovation opportunities:** for example, working collaboratively with local jurisdictions to test new models for LIHTC-funded housing that are highly cost-effective, such as using modular/prefabricated or other cost containment strategies.

Taken together, this argues for the “moderate” approach – borrowing significantly against future Measure A revenues, but not so much as to compromise the ability to maintain a long-term role and grow capacity over time.¹⁵

¹⁵ For further detail on the underlying modeling assumptions, please contact the report authors at turnercenter@berkeley.edu.

CASE STUDY

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

The New York City Housing Development Corporation (NYCHDC) is a public benefit corporation established by the State of New York that serves as the city’s primary housing finance agency. It serves a booming metropolis of over eight million people, and it was designed to provide financing to deliver multi-family housing at scale. Although it was established in 1972, most of the corporation’s financial growth can be attributed to the “Multi-Family Housing Revenue Bond Resolution” (also referred to as the Open Resolution) which was established in 1993. Further, the corporation’s growth accelerated beginning in 2003 once the City decided to incorporate NYCHDC’s financing capacities into its housing plan and leverage its balance sheet in service of that effort.

NYCHDC issues and borrows bonds to provide loans to developers to produce and preserve housing. The corporation’s growth and profitability have been enhanced by its creative use of housing revenue bonds via the Open Resolution to raise funds from the capital markets. The Open Resolution is the corporation’s largest asset – each issuance of bonds can be structured to handle a large volume of project loans, and serves as an engine for ongoing income by enabling NYCHDC to capture significant interest rate spread while it lends at scale, providing financing for the production and preservation of thousands of units each year.

The corporation’s overall assets have dramatically increased over time, rising from \$4.7 billion in 2003 to \$13 billion in 2014 and \$28.5 billion in 2024. As of 2024, it was the top issuer of multi-family housing bonds in the nation, and its Open Resolution was rated AA+ by Standard & Poor’s, and Aa2 by Moody’s. The corporation itself was rated AA by Standard & Poor’s and Aa2 by Moody’s. These ratings support NYCHDC’s ability to borrow efficiently.

New York City HDC

BY THE NUMBERS | 2020 -2024¹⁶



\$1.5 – \$2.7
BILLION ANNUALLY

BONDS ISSUED



\$102 – \$203
MILLION ANNUALLY

**REVENUE REINVESTED
AS SUBSIDY LOANS**



9,600 – 13,900
ANNUALLY

**PRODUCTION AND
PRESERVATION UNITS FINANCED**
(22 TO 32 PROJECTS)

¹⁶ For more financial information, see NYCHDC’s [Public Reports](#), including its 2024 Performance Measurements.

NYCHDC's alignment with the City's housing priorities, strong management and technical capacities, and active management of its income from lending activities are the fundamental reasons for its profitability and ability to finance thousands of units a year. The corporation is self-funding – meaning it neither requires nor receives any ongoing public financial support; although, in contrast with the single-stop shop financing approach that would potentially be available from LACAHSAs, projects are often subsidized from other sources, such as various programs from the City's Department of Housing Preservation and Development. Unlike a commercial bank, which would distribute profits from its loans to its shareholders, the corporation reinvests surplus revenue into more affordable housing as low-interest subsidy loans. From 2003 through 2021, the corporation reinvested more than \$3.4 billion of available revenue (in addition to providing over \$27 billion in bond financing) to build and preserve affordable homes – at no cost to taxpayers.¹⁷

NYCHDC earns revenue from four main sources known as “FISS”:

- **Fees:** Like other lenders, the corporation charges fees for many of its financial products; though fees are modest on a per-project basis, they provide significant income given the corporation's lending volume.
- **Interest:** The corporation reinvests its cash income, ensuring that every dollar “works” rather than sitting idly.
- **Spread:** By actively and separately managing its income-earning project loans (assets) and the money it borrows from investors by issuing bonds (liabilities), the corporation is able to borrow at a lower rate than the interest rate at which it lends; the difference is known as the interest rate “spread” and enables the agency to capture the upside of bond financing.
- **Securitization:** The corporation will periodically issue and borrow taxable bonds by pooling a package of low-interest subsidy loans. Funds raised from the securitization are then used to make new subsidy loans.

NYCHDC's financial strength and desire to innovate have allowed it to consistently grow and attain increasing scale. It has been able to address a broad range of housing needs from new construction to rehabilitating the City's public housing stock by creating new financial products, collaborating with other public agencies, and shaping legislation that has further enhanced its capacity to grow and innovate. This structure facilitates a variety of opportunities:

- **Diversity of financial products:** The corporation issues both tax-exempt and taxable bonds in the form of project revenue bonds, recycled bonds, 501(c)(3) bonds, social impact bonds, and provides financial guarantees to investors.
- **Collaboration:** The corporation works in partnership with agencies such as the City's Department of Housing Preservation and Development, which provides additional subsidy loans.
- **Advocacy:** The corporation was a driving force behind the creation of tax-exempt recycled bonds, and played a central role in the creation of a mixed-income tax credit option.

¹⁷ NYCHDC FY 2022 Operating Budget



Rendering Credit: Marvel Architects

Bedford Union Armory in Crown Heights, Brooklyn. The project offers 415 units, with 250 affordable units serving low- and very-low income households. It was financed under HDC's ELLA program.

CASE STUDY

KING COUNTY HOUSING AUTHORITY

The King County Housing Authority (KCHA) was created in 1939 and serves King County, WA, excluding the cities of Seattle and Renton. KCHA owns and manages more than 150 properties totaling over 12,650 units. These properties support a broad spectrum of income levels – from extremely low-income individuals to moderate-income households.

Of these units, more than 8,000 are financed with tax credits and tax-exempt bonds, while over 4,400 units are federally subsidized housing for families, seniors, and people with disabilities. KCHA also provides Section 8 rental subsidies to over 14,000 households through federally funded Housing Choice Vouchers.¹⁸ As of 12/31/2023 KCHA's total assets were approximately \$2.24 billion.

To support its development and preservation efforts, KCHA utilizes a range of financing tools, including the issuance of bonds in the capital markets. These bonds – known as “Housing Revenue Bonds” and “Revenue Refunding Bonds” – are used for acquiring, rehabilitating, or constructing properties, and for refinancing existing debt.

Bond issuances may be structured around specific projects or pooled to finance multiple initiatives. These issuances are often composed of multiple tranches. For instance, one structure may allocate two-thirds of the bonds as 35-year amortizing debt with a 20-year bullet maturity, while the remainder may be structured as interest-only bonds with a 15-year bullet maturity. This structure helps to reduce annual debt service obligations but requires a large “balloon” payment at maturity.

To meet its debt service obligations, KCHA draws from various funding sources, which may differ by issuance. These include net operating income from the financed property, other authority revenues pledged as additional support, or – when a project cannot fully cover its debt – net operating income pooled from unrelated properties also offered as collateral.

When bonds mature and a balloon payment is due, KCHA typically issues new bonds to refinance or “refund” the outstanding debt. In some cases, the authority has also partnered with corporate entities to secure below-market financing, by either providing lower cost debt for the interest-only component, or through a grant or other subsidy to reduce the bond financing need.

Through careful financial planning, strategic use of debt instruments, and innovative partnerships, KCHA continues to expand and preserve affordable housing. By leveraging diverse funding sources and responsibly managing long-term obligations, the authority ensures the sustainability of its portfolio and its ability to meet the evolving housing needs of some of the region’s most vulnerable populations.



Photo credit: King County Housing Authority

In July 2020, the King County Housing Authority issued \$140 million in tax-exempt housing revenue bonds to provide permanent financing for the acquisition of Hampton Greens, a 326-unit workforce housing complex in Bellevue, Wash., and to assume outstanding debt on four other workforce properties.

¹⁸ <https://www.kcha.org/about>

Conclusion

Adapting some of the nation's most innovative affordable housing strategies that attract private investment and philanthropy can greatly extend the impact of new Measure A funding for the production and preservation of affordable housing in Los Angeles County.

Best practices reviewed in this study show how raising multi-sector capital, via creation of a new fund, and accessing capital markets, by issuing bonds, can enhance LACAHSAs ability to coordinate, fund, and improve the delivery of affordable housing.

Implemented by LACAHSAs, these strategies can achieve the scale needed to meet the demands of the region's deep-rooted affordability challenges. At a time when our existing affordable housing system is struggling to deliver cost-effective homes in ways that deliver on our policy goals, the models described here offer a promising path through which LACAHSAs may be able to not just scale its financial impact but more fundamentally drive systems change in how affordable housing is financed, spur innovation, and drive much needed cost containment.

The opportunity available to LACAHSAs is extraordinary. The emergence of Measure A as a reliable public funding source, combined with the powers provided to LACAHSAs, is a strong foundation that sets the stage for these strategies to not only be successful across Los Angeles County, but to break new ground serving as a model for the rest of the country.