LAHD
LOS ANGELES HOUSING DEPARTMENT

Asset Protection Transmittal

LACAHSA Funds



LAHD Loan Portfolio



BACKGROUND

- LAHD's loan portfolio has a total value of **$3.4 billion** and more than **4,500** loans and over **900** multi-family projects.

- Projects experiencing financial instability pose a risk to low-income tenants and the City's loan investment.

  Factors contributing to the instability:

  - Operating Expenses
  - Property Insurance
  - Security
  - Utilities
  - Increase in maintenance costs

LAHD Watchlist

Number of Watchlist Projects

252

Items that trigger a project being placed on the Watchlist include:

- A Debt Service Coverage Ratio less than 1.15
- Depleted or Low Reserves (Replacement and/or Operating)
- A Vacancy Rate above 10%
- Negative Cashflow
- Delinquent Residual Receipts

LAHD has created a **Watchlist** to identify and monitor struggling projects. LAHD monitors those projects to ensure that they regain stability and do not further deteriorate. If LAHD does not see improvement or greater financial stability, LAHD will engage the borrower to either negotiate a workout solution or LAHD may take default measures if necessary.

	No. of Projects	No. of Units	Prin. Balance
TA Projects	47	1,884	$ 99,092,342
WA Projects	205	10,361	$ 484,300,516
Grand Total	**252**	**12,245**	**$ 583,392,858**

LAHD Preservation Strategies

Homes for LA NOFA

Preservation Opportunities across several programs:

- Operating Assistance
- Portfolio Preservation
- Acquisition Rehab
- Alt Models Preservation

New Programs

Two new programs that LAHD is planning for 2027:

- Reserve Replenishment
- Deferred Maintenance

Troubled Assets Unit

Manages projects elevated from the Watchlist:

- Projects in default and have urgent need of intervention
- PNOD
- NOD
- Notice of Tax Sale

Asset Protection

Objective / Request

$14,042,247

FY 2025-26 LACAHSA Regional Preservation Funds Requested

8 Developments

Troubled Affordable Housing Projects Targeted for Stabilization

REQUESTING ENTITY

Troubled Asset Unit

LAHD's Troubled Asset Unit is requesting authority to disburse regional preservation funds to protect critical affordable housing assets.

FUNDING SOURCE

LACAHSA Regional Allocation

Fiscal Year (FY) 2025-26 Los Angeles County Affordable Housing Solutions Agency (LACAHSA) regional preservation funds.

RISKS MITIGATED

Stabilization Focus

Targeting 8 troubled developments facing critical operational threats:

- Imminent bank foreclosures
- Loan defaults
- Severe deferred maintenance

What is at Risk?

PROJECTS AT RISK

8

Affordable Housing Projects

Critical developments currently facing operational instability, financial default, or imminent foreclosure threats.

HOUSING IMPACT

455

Total Housing Units

Includes **441 restricted units** providing essential affordable housing across **5 Council Districts**.

FINANCIAL EXPOSURE

$37.2M

City Loans Exposed

Total municipal financial investment and loans currently at risk without intervention.

FAME Gardens & FAME Manor (CD 10)

BACKGROUND & CHALLENGES

- Both properties faced imminent foreclosure following the September 1, 2026 maturity of senior Citibank debt, compounded by a Chapter 7 bankruptcy filing by general partner FAME Housing Corporation and extensive deferred physical maintenance.

PROPOSED SOLUTION

- Provides **$1,360,512 (FAME Gardens)** and **$1,156,612 (FAME Manor)** in 10-year LACAHSA loans at 3% interest.
- Execute a new **55-year regulatory agreement**.

FINANCING & STABILIZATION IMPACT

- LAHD moves into senior lien position.
- Funds critical life-safety capital improvements—including roof replacements, elevator repairs, fire sprinkler/panel overhauls, plumbing mainlines, and HVAC replacements across **137 affordable units**.





Pascual Reyes Apartments (CD 1)

BACKGROUND & CHALLENGES

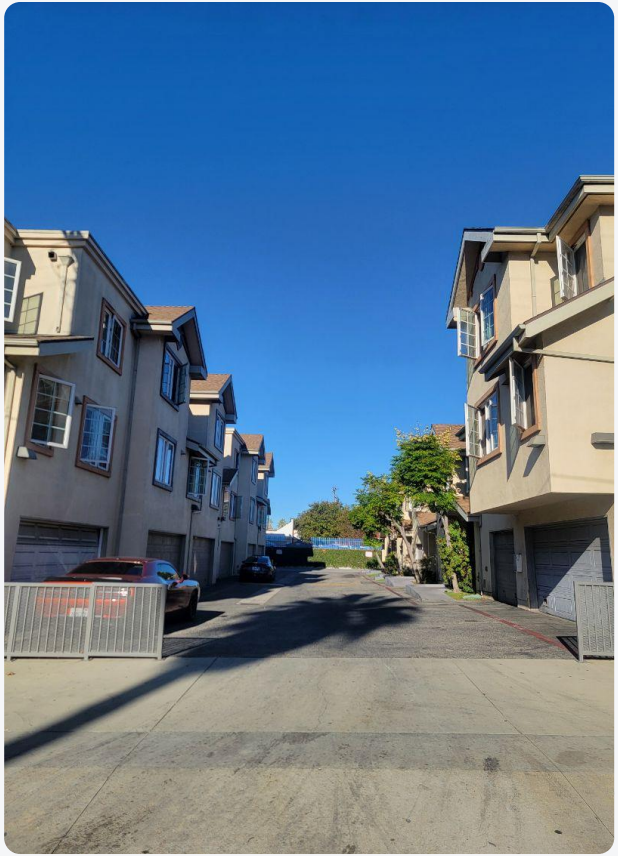
The senior Citibank note (~$425,000) matured on February 1, 2026. Because the property is located on a 55-year City ground lease and developer Pico Union Housing Corp. (PUHC) filed Chapter 11 bankruptcy, private refinancing was unachievable.

PROPOSED SOLUTION

- Provides a **$467,500 LACAHSA 10-year loan** (3% interest, 30-year amortization) to pay off Citibank.
- Execute a new **55-year regulatory agreement**.

FINANCING & STABILIZATION IMPACT

- LAHD moves into senior lien position.
- Preserving **13 townhomes** for large families.



Eastside Village Family Housing (CD15)

BACKGROUND & CHALLENGES

The $2.55M senior Fannie Mae note matured on April 1, 2026, and was transferred to a Special Servicer with a formal Notice of Default issued July 15, 2026. The property is also navigating tenant habitability litigation (*Genyard vs. Eastside Villas*), preventing conventional private bank refinancing.

PROPOSED SOLUTION

- Provides a **$3,809,835 LACAHSA 2-year bridge loan** at 3% interest-only to pay off the Fannie Mae note.
- Execute a new **55-year regulatory agreement**.

FINANCING & STABILIZATION IMPACT

- LAHD moves into senior lien position.
- Averting foreclosure and protecting **78 low-income families** from displacement.





Central City Apartments (CD 1)

BACKGROUND & CHALLENGES

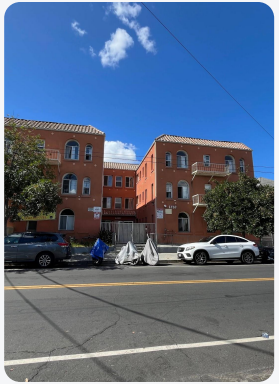
Operating expenses rose 35% during pandemic-era rent caps causing payables to accrue to $360,000. Leading to the senior lender Hanmi Bank to initiate a foreclosure.

PROPOSED SOLUTIONS

- Provide a **$4,461,412** LACAHSA 2-year bridge loan to retire the Hanmi Bank bond.
- Execute a new **55-year regulatory agreement**.

FINANCING STABILIZING IMPACT

- Retiring the Hanmi Bank bond will put LAHD in the **senior lender position**.
- Reduces interest rate on the existing LAHD residual receipt debt to **3% from 5%**.







Broadway Village I & II (CD 9)

BACKGROUND & CHALLENGES

Following the passing of the Executive Director of Deep Green Housing in the early 2020s, the sponsor's portfolio declined due to poor property management and oversight. Broadway Village I & II experienced physical deterioration, precipitating Notices of Default for both properties.

PROPOSED SOLUTION

- Provide a **$688,000 loan** (not to exceed $700,000) from the LACAHSA Production, Preservation, and Ownership (PPO) Flexible account to rehabilitate and prepare projects for ownership transfer.
- Combine projects into one scattered-site project, consolidating existing loan documents under a single loan document.
- Transfer the Broadway Village projects to **Alliance Property Group (APG)**.

FINANCING & STABILIZATION IMPACT

Structured with supplementary financing from HCD & LACDA to facilitate critical repairs and project stabilization. LAHD's intervention enables transition to a new operator preserving long-term affordability (CDLAC-CTAC application submitted for LIHTC) and positions LAHD as senior lender.





The Brine Residential (CD 14)

BACKGROUND & CHALLENGES

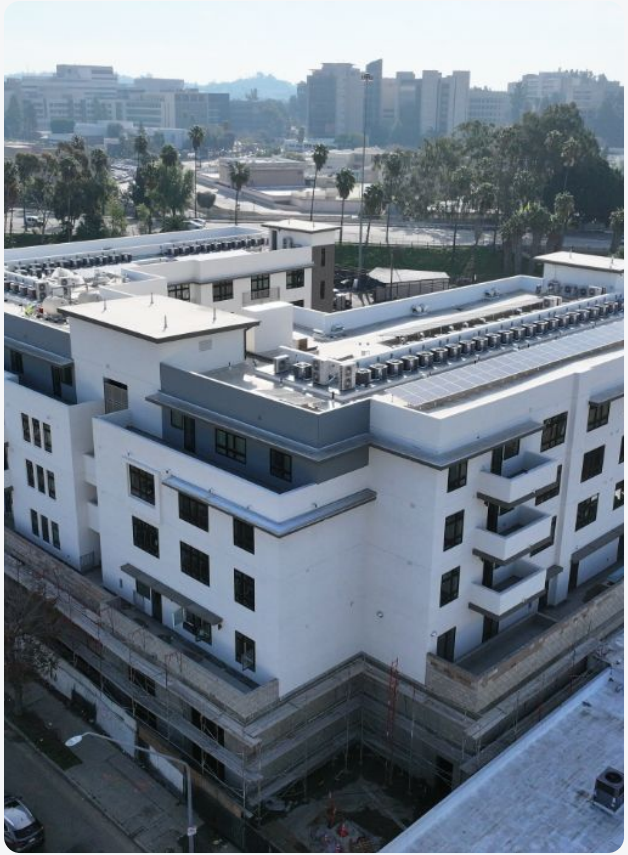
The project has fallen into financial distress through a series of compounding defaults. The senior construction lender, Citibank, recorded a Notice of Default on May 11, 2026 after the partnership failed to repay the matured principal balance of $26,072,770 that came due on February 2, 2026. This action was triggered by defaults in construction loan interest payments.

PROPOSED SOLUTION

- LAHD requests authority to disburse up to **$2,086,376 in LACAHSA PPO Flexible funds** as protective advances paid directly to Citibank/Berkadia to cover construction interest in arrears and debt service.

FINANCING & STABILIZATION IMPACT

- The LACAHSA funds will serve as a backstop to halt the pending trustee sale.
- Failing to intervene will lead to tenant displacement, the loss of **96 permanent supportive housing units**.
- Protect the City's **$13.44 million subordinate debt investment** and long-term affordability covenants.



Fiscal Responsibility

DEDICATED REGIONAL FUNDING

$14,042,247

100% Dedicated Account

100% of the funding request comes from dedicated LACAHSA Eligible Jurisdiction funds (Fund 69A, Account 43CD66 - PPO Flexible Account).

LOANS, NOT GRANTS

0% Grants

100% Repayable Structure

All proposed financial assistance is structured strictly as repayable loans and bridge financing—zero grant funding is being provided.

REINVESTMENT MECHANISM

$0 Impact

On City General Fund

As LAHD steps into senior lender positions, all loan principal and debt service repayments flow directly back into the City's Asset Protection account for future preservation efforts.