Using the Master Lease to Tackle the Los Angeles Housing Crisis

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The City of Los Angeles (the "City") continues to implement new programs to tackle its ongoing housing crisis. On February 23, 2024, the Los Angeles City Council (the "City Council") approved the creation of the Los Angeles Homeless Services Authority's (LAHSA) Master Leasing Program (the "Program"). The Program is expected to be structured similarly to a program adopted by the County of Los Angeles (the "County") and LAHSA in November 2023, whereby the County master leases all or portions of privately-owned multifamily residential buildings and subleases individual units within those buildings to unhoused individuals and families. Under the County's program, the County and LAHSA assume the role of "landlord" with respect to the formerly unhoused residents, and coordinate with local property managers and service providers to provide property management and supportive services to residents, such as employment services, mental and medical health care and intensive case management, as well as other services and referrals aimed at assisting residents in obtaining and maintaining interim, and ultimately permanent, housing.

As part of its approval of the Program in February 2024, the City Council instructed City staff to prepare contract terms, benchmarks and program metrics, identify sources of funding for the Program, and review the existing documents in place with the County's master leasing initiative. City staff is expected to provide an update to the City Council on these items by May 20, 2024. The City's master-leasing initiative will commence with a pilot program in the City's Fifth District, covering neighborhoods in West Los Angeles, or other feasible sites in the city, before expanding citywide once funding is secured and program terms are finalized.

The Program is structured in a manner to secure housing for unhoused individuals and families more quickly, with the City entering into master leases of existing apartment buildings rather than waiting for new housing units to be developed and constructed. While the full extent of the Program's impact remains to be seen, the County's initiative provided 105 units to unhoused residents within its first three months, with an additional 530 units in the pipeline to be filled, suggesting great potential for the City's Program.

If successful, the City's Program will add to the slate of existing programs already in place in the Los Angeles area that create interim and permanent housing for the unhoused population, such as the County's master leasing program discussed above and the County's "Homekey" program – another initiative whereby the County provides grant funding for public entities to purchase hotels, motels and similar properties for conversion into interim and permanent housing. However, the City's Program may be particularly appealing to private affordable housing owners as property owners can retain the benefits of ownership with stabilized revenue that may allow obtaining additional financing for the development and operation of the buildings based upon the master lease with the City.

Frost Brown Todd stays at the forefront of all legislative efforts affecting the affordable housing industry, and we are ready to assist clients with navigating the changing legislative environment. We counsel investors, developers and other key stakeholders on affordable housing transactions in California and across the country. For more information, please contact the authors or any attorney on Frost Brown Todd's Multifamily Housing Team.

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