

ULA OPERATING ASSISTANCE PROGRAM GUIDELINES

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INTRODUCTION

1. Program Summary

a. Goals and Requirements

The Operating Assistance Program supports affordable housing in the City of Los Angeles by providing operating support for projects facing a short-term disruption in cash flow or wider economic shock.

The United to House LA (ULA) ballot measure and effectuating ordinance creates an Operating Assistance program that is allocated no less than 5%, and up to 9%, of House LA Program funds.

The ULA Affordable Housing Programs include Multifamily Affordable Housing, Acquisition and Rehabilitation, Capacity-Building, Homeownership, Operating Assistance and Alternative Models for Permanent Affordable Housing. Following is a summary of universal ULA Requirements that must be met in all Affordable Housing programs, as further delineated in Los Angeles Administrative Code Section 22.618.3(d)(1)(i):

- All units affordable to Lower Income Households, with a limited exception for units created under the Alternative Models for Permanent Affordable Housing Program.
- All units are restricted affordable in perpetuity, with limited exception to permit 55-year covenant terms if required by other funding sources in the project.
- One-to-one replacement of existing qualifying units as required, as verified by a Replacement Unit Determination (RUD) from LAHD.
- Provide relocation benefits and right of first refusal to any qualifying existing occupants.
- Prevailing wage is required for all construction activities.
- A Project Labor Agreement (PLA) required for construction and rehabilitation of 40 or more units.

Additionally, the below requirements are applicable to all activities under the Operating Assistance Program:

- Activities must support new construction, acquisition, and/or rehabilitation of existing housing.
- Activities must take the form of project-based, multi-year rental subsidies, or operating subsidies, or service subsidies.
- Activities must prioritize projects housing Acutely Low Income and/or Extremely Low Income Households, as well as projects that will maintain Nonprofit

ownership, Community Land Trust (CLT) stewardship, and/or shared-equity tenant ownership.

2. Context

As of June 2024, LAHD has a \$2.7 billion multifamily affordable housing loan portfolio that serves more than 120,000 residents in the City of Los Angeles. Of that loan portfolio, over \$205 million in loans are tied to projects that have nearly depleted their reserves to manage increased operational costs. Out of 649 projects analyzed in 2023, 158 projects did not have positive cash flow. Operational costs have increased for a number of reasons, including but not limited to increased inflation rates, utility bill increases, and higher insurance premiums. In addition, reduced rental income which resulted from economic impacts of the COVID-19 pandemic has further contributed to negative cash flow. In particular, many permanent supportive housing projects face substantial operational deficits that deplete reserves, sometimes completely. Some of the most at-risk projects are those with a high share of units occupied by higher acuity residents. These projects often require frequent high-cost repairs, and involve more intensive property management in addition to the provision of supportive services.

LAHD's Troubled Assets Working Group maintains a Watchlist of properties that are in most serious financial risk within the City's affordable housing portfolio. As of May 2024, there are about 100 properties on the Watchlist.

ULA provides funding for several affordable housing production paradigms. The Operating Assistance Program is unique in that it is positioned to address operational needs of new housing that may be constructed in the future as a result of the ULA affordable housing production programs, as well as ongoing operating needs of the City's existing affordable housing portfolio.

3. Commitment to Racial Equity

Existing data and scholarship confirm that Black, Latinx, and other communities of color are disproportionately affected by homelessness. These Operating Assistance Program Guidelines acknowledge that this disproportionality is the result of generations of structural racism. Decades of land use policies and zoning practices have reinforced racial segregation, poverty, environmental injustice, and disinvestment that is manifested in the demographics of our contemporary homeless population.

As ULA seeks to foster innovative initiatives to manage assets and cover operational costs, the implementation of the Operating Assistance Program is specifically designed to promote racial equity, with a focus on supporting projects that serve the City's most vulnerable communities by providing operating assistance for projects facing a short-term disruption in cash flow or wider economic shock.

Consistent with this commitment to promote racial equity, the Operating Assistance Program is designed to be attuned to the needs and realities of historically marginalized communities, and how racism, as well as disability, transphobia, sexism, and other community experiences affect the vulnerability of a neighborhood, and its experiences. To this end, the Operating Assistance Program provides resources to support the ongoing maintenance and operation of affordable and supportive housing, in order to ensure stability of existing vulnerable communities.

4. Program Metrics

The Los Angeles Housing Department (LAHD) and program partners will collect information in alignment with the ULA measure and ordinance reporting requirements and in a manner that supports the evaluation of long-term impacts and outcomes of the Operating Assistance Program. To the extent feasible, this information includes but is not limited to, the number of units assisted and the number of residents located within each project. Operating assistance activities will be tracked as they relate to the following metrics identified in the chart below. Wherever relevant, data shall be disaggregated by race, family composition, sexual orientation, age, ability, gender, and location (address, zip code, and Council District).

Goal	Metrics
Ensure long-term financial stability by awarding operating assistance to qualifying housing developments.	<ul style="list-style-type: none"> ● Number of units provided operating support, reported by: <ul style="list-style-type: none"> ○ Income category. ○ Location in High or Highest Resource areas. ○ Located in Racially/Ethnicly Concentrated Areas of Poverty (R/ECAP). ○ Location in Racially Concentrated Areas of Affluence (RCAA). ○ Location on public land. ○ Location near public transit.
Ensure long-term housing stability for tenants, in alignment with ULA goals and priorities.	<ul style="list-style-type: none"> ● Number of residents living in buildings receiving operating assistance, to be disaggregated by the ULA measure and ordinance reporting requirements.
Ensure fiscal prudence and responsibility by strategically expending funds.	<ul style="list-style-type: none"> ● Number of dollars expended, reported by: <ul style="list-style-type: none"> ○ Fiscal Year. ○ Project. ○ Unit.

LAHD shall analyze these and potentially additional metrics and participant data annually and provide a summary of its analysis to the ULA Citizens Oversight Committee (COC) to allow for an assessment of whether the Program is meeting its goals and priorities.

5. Definitions

“Acutely Low-Income” shall have the same meaning as in Section 50063.5 of the California Health and Safety Code.

“Audited Financial Statement(s)” shall mean organizational records covering the balance sheet, statement of cash flow, and other documents describing the organization’s financial position and that have been reviewed and approved by independent third-party auditors.

“Borrower(s)” shall mean an entity that has been approved for or received a loan from the Los Angeles Housing Department (“LAHD”) that has remaining interest or principal to be paid, or for which the term of the loan has not yet expired.

“California Tax Credit Allocation Committee” shall mean the state agency that creates the Qualified Allocation Plan (“QAP”) for allocating Low Income Housing Tax Credits (“LIHTC”) within the State of California. It is also abbreviated as “CTCAC” or “TCAC.” The QAP published by CTCAC/TCAC is commonly referred to as “TCAC Regulations”

“California Debt Limit Allocation Committee” shall mean the state agency that administers the state’s annual debt limit ceiling and administers the state’s tax-exempt bond program to allocate such bonds to projects. It is also abbreviated as “CDLAC.”

“Capital Needs Assessment” shall mean a third-party analysis based on a building inspection that identifies problems in major building systems such as structural, electrical, plumbing, sewage, roofing, flooring, mechanical, heating/cooling, and safety.

“Citizens Oversight Committee” shall mean the body of 15 appointed members who monitor the activities of the House LA Fund and advise the Mayor, City Council, and the Los Angeles Housing Department (“LAHD”) on priorities, program guidelines, and program implementation. It is also abbreviated as “COC.”

“Community Agreement(s)” shall mean a document that is created by residents of a property for the purposes of defining how they will live together and the acceptable behaviors for residents and their guests, and how disagreements or disputes between neighbors will be resolved. Each property that has received United to House Los Angeles (“ULA”) funds through the Alternative Models for Permanent Affordable Housing and/or the Acquisition and Rehabilitation for Affordable Housing programs must produce a Community Agreement.

“Community Land Trust” shall mean a non-profit corporation within Section 501(c)(3) of the Internal Revenue Code that satisfies all of the following: (i) Has as its primary purposes the

creation and maintenance of permanently affordable single-family or multifamily residences; (ii) All dwellings and units located on the land owned by the non-profit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to Lower Income Households or Moderate Income Households, or held by the non-profit corporation for the same purpose; (iii) When a dwelling or unit that is situated on land owned by the non-profit corporation is sold to a qualified owner, the land is leased by the non-profit corporation to the income-qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years. It is also abbreviated as "CLT."

"CTCAC/HCD Opportunity Map" shall mean the geographic tool utilized by the California Tax Credit Allocation Committee ("CTCAC") to index census tracts across the State of California based on economic, social, employment, educational, and environmental indicators. The 2024 version of the tool is linked [here](#).

"Department of Housing and Community Development" shall mean the California Department of Housing and Community Development. It is also abbreviated as "HCD."

"Department of Housing and Urban Development" shall mean the U.S. Department of Housing and Urban Development. It is also abbreviated as "HUD."

"Extremely Low Income" shall have the same meaning as in Section 50106 of the California Health and Safety Code.

"Housing Needs Assessment" shall mean a data-informed study, conducted by the Citizens Oversight Committee ("COC") by December 31, 2023 and updated at least once every three (3) years to understand, quantify, and qualify the City of Los Angeles's housing needs with respect to homelessness, housing affordability, tenant protections and the housing needs of vulnerable populations, including but not limited to people experiencing homelessness, seniors in Lower Income Households, formerly homeless people, persons with disabilities, veterans, single-parent households, youth in transition, survivors of domestic violence, and Lower Income Households. The study must disaggregate data by race, family composition, sexual orientation, age, disability, and gender.

"LAHD Project Underwriting Guidelines" shall mean a project review process created by the Los Angeles Housing Department ("LAHD"), shared publicly, and updated periodically to reflect LAHD staff assessment of necessary financial strength and specific acceptable tolerance ranges for key financial assumptions and potential challenges of each proposed project. The goal of the Underwriting Guidelines shall be to ensure that each City housing investment creates a project that will be financially and physically viable for the years of the program covenants, and shall provide a good living environment for the residents over the years, and be a positive part of the community. Project Underwriting Guidelines are based on sensitivity testing of potential portfolio liabilities and challenges, benchmarks of cost

drivers, economic conditions, compliance with legal and regulatory mandates, and other variables that affect the broader affordable housing environment.

“LAHD Sponsor Underwriting Guidelines” shall mean a review and risk assessment process created by the Los Angeles Housing Department (“LAHD”), shared publicly, and updated periodically to assess the necessary financial strength, organizational capacity and relevant experience to complete and operate the proposed housing project in compliance with guidelines, as a physically and financially healthy project that serves the residents and community well for the years of the covenant. The guidelines shall specify acceptable tolerance ranges for key financial assumptions and potential challenges. LAHD Sponsor Underwriting Guidelines are based on portfolio size and health, development record, organizational and staff capacity to own and direct operations of the proposed project, and organization financial health.

“Limited Equity Housing Cooperative” shall have the same meaning as in Section 817 of the California Civil Code. It is also abbreviated as “LEHC.”

“Lower Income Household(s)” shall have the same meaning as in Section 50079.5 of the California Health and Safety Code.

“Low Income Housing Tax Credits” shall mean state or federal tax credit programs that reduce tax liability in exchange for acquisition, rehabilitation, or construction of deed-restricted affordable housing. It is also abbreviated as “LIHTC.”

“Nonprofit(s)” shall mean an organization exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3). Instrumentalities of Nonprofit organizations, including wholly owned subsidiaries, are not automatically considered Nonprofits.

“Project Labor Agreement” shall mean the City of Los Angeles Department of Public Works Master Project Labor Agreement (“PLA”) or a specific ULA Measure-wide PLA, negotiated with mutual agreement between the Los Angeles/Orange Counties Building and Construction Trades Council and the Southern California Association of Nonprofit Housing (“SCANPH”), and approved by the Los Angeles City Council.

“Real Estate Owned Schedule” shall mean a list of properties owned by an entity and the parent company that controls that entity. The Real Estate Owned Schedule must include projected and actual operating costs and revenues for all properties listed.

“Replacement Unit Determination” shall mean an analysis specifying the count of qualified demolished units i) subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower or very low income, ii) subject to any form of rent or price control through a public entity’s valid exercise of its police power within the five (5) past years, iii) rented by lower or very low income households, or iv) that were withdrawn from rent or lease per the Ellis Act, within the past ten (10) years, and the Area

Median Income (“AMI”) restriction that must be recorded consistent with the income level of the most recent qualified household that resided in a demolished unit. It is also abbreviated as “RUD.”

“*Resale of Rental Property*” shall mean a change in ownership via a change in fee title on a property, or a long-term master lease of greater than thirty (30) years.

“*Resident Council(s)*” shall mean any of the following: i) an elected body of residents in a property who represent the residents in deciding the policies and financial priorities of a building; or ii) a homeowners’ association, cooperative board, LEHC, or other similar representative or elected governance body required by state law based on the legal structure of the property. Each property that has received ULA funds through the Alternative Models for Permanent Affordable Housing and/or the Acquisition and Rehabilitation for Affordable Housing programs shall be supported in developing a Resident Council.

“*Residual Receipts*” shall mean loan terms that offer below market rate interest, deferred payments, and loan payments that are due only after, and if, operating costs and senior debt service are paid.

“*Stabilization Plan and Exit Strategy*” shall mean a document that identifies whether the project is: i) able to fully resolve operating losses using Program funding only; or ii) using Program funding as a bridge to stabilization using future, non-Program funding sources; or iii) using Program funding as a temporary stopgap in response to a sector-wide or industry-wide structural economic challenge such as increasing insurance premiums. The Stabilization Plan and Exit Strategy must provide detailed milestones for bringing the project back into positive cash flow including timelines for each stage of the stabilization process and external funding sources, if applicable.

“*Statement of Public Purpose*” shall mean a document that, in consideration of the COC’s Housing Needs Assessment and other available neighborhood-specific information on a community’s housing challenges, describes how a proposed project would benefit the community in which it is located, meet the public needs identified in the COC’s Housing Needs Assessment through the project’s community outreach and final design, and advance the goals of ULA as defined in Los Angeles Administrative Code Section 22.618.1: Purpose.

“*Very Low Income*” shall have the same meaning as in Section 50105 of the California Health and Safety Code.

SECTION 1: ADMINISTRATIVE OVERVIEW

1.1 Program Administration

The Operating Assistance Program is administered by the City of Los Angeles Housing Department (LAHD). Within LAHD, the Housing Development Bureau (HDB) manages the development and issuance of Notices of Funding Availability (NOFAs), and project review and underwriting, including scoring and awarding of applications, as well as asset management and portfolio monitoring.

1.2 Notice of Funding Availability (NOFA) Schedule

Subject to funding availability, LAHD will offer one NOFA for the Operating Assistance Program every fiscal year. Additional information regarding the NOFA, project application, and project award schedule will be provided in Department-issued NOFAs.

More detail about the NOFA development and issuance process is detailed in *Section 3* of these Operating Assistance Program Guidelines.

SECTION 2: GENERAL PROVISIONS

The following section provides a summary of general Program requirements and how the Program will be administered.

2.1 Eligible Applicants

Eligible applicants are public entities, local housing authorities, Community Land Trusts (CLTs), Limited Equity Housing Cooperatives (LEHCs), and Nonprofits. Partnerships such as General Partnerships, Limited Partnership, and Limited Liability Companies may apply provided that the Managing General Partner is an eligible entity. A for-profit entity cannot be the Managing General Partner.

Affordable Housing Experience

The ULA Measure and Ordinance requires applicants to have experience with affordable housing development and property management within the project team. However, eligible entities without sufficient experience developing and managing affordable housing developments may partner with an experienced Nonprofit to apply for Program funding, as long as the experienced Nonprofit participates in the ownership of the project as a Managing General Partner.

LAHD Loan Requirement

Applicants must either have an existing housing project funded by the City of Los Angeles, or a commitment for a new housing project to be funded by the City of Los Angeles. Priority will be given to projects housing Acutely Low Income or Extremely Low Income households, as well as projects that maintain ownership or stewardship by Nonprofits, Community Land Trusts (CLTs), and Limited Equity Housing Cooperatives (LEHCs).

2.2 Eligible Projects

Projects must meet the following requirements to be eligible for Program funds:

LAHD Loan

Projects must be recipients of LAHD funding or of a commitment for LAHD funding.

Project Size:

There is no maximum or minimum project unit count applicable to this program.

Affordability Requirements and Applicable Rent Schedules:

All units receiving operating support must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below. Mixed-income projects under the Alternative Models for Permanent Affordable Housing Program are also eligible for funding.

LAHD will apply HUD/LIHTC income targeting and rent schedules. However, projects must comply with all income targeting and rent schedules required by other funding sources and must apply the most restrictive, if there is a conflict.

Labor Compliance:

The Operating Assistance Program does not fund major construction or rehabilitation activities. Minor and/or emergency repairs costing less than \$250,000 per funding round are allowed. Any construction, maintenance, repairs or rehabilitation work funded through this Program must pay prevailing wage.

2.3 Eligible Cost Basis

Eligible costs include retrospective and/or prospective operating costs for eligible projects, including but not limited to payments for:

- Debt service;
- Insurance premiums and other insurance expenses;
- Short term security or fire watch services of less than 12 months;
- Deferred operating costs for building maintenance and repairs of less than \$250,000;
- Local, state, and federal tax liability;

- Up to two (2) months of rental subsidies per unit to cover operating shortfalls, not to exceed six (6) months per three (3) year period; or
- Replenishing of operating reserves required by LAHD.

Costs can be reimbursed for excess expenses incurred within the same fiscal year of the sponsor's application and the fiscal year immediately preceding the year of application.

Prospective expenses can be requested for an amount equal to a maximum of two (2) years of projected excess costs.

In no case shall the total retrospective and prospective basis exceed the per unit maximum assistance limit defined in the NOFA.

2.4 Ineligible Activities

Funds awarded under the Operating Program shall not be used for the following capital expenses or activities:

- Major replacement, upgrades, and/or capital improvement of systems including but not limited to Heating, Ventilation, and Air Conditioning (HVAC), plumbing, electrical, sewer, fire sprinklers, roofing, water heaters, solar panels, or insulation;
- Major repairs costing more than \$250,000; or
- New construction except to replace units damaged by fire or natural disaster.

2.5 Maximum Assistance Limits

Each fiscal year, LAHD shall determine maximum assistance limits based on anticipated operating assistance needs. The maximum assistance limits shall be determined in consideration of the following:

1. Portfolio-wide benchmarking of Per Unit Per Annum (PUPA) excess operating costs and vacancy losses.
 - a. PUPA excess operating costs and vacancy losses may be benchmarked against the Watchlist maintained by LAHD's Troubled Assets Working Group, and/or other subgroup average PUPA by unit typology, including unit AMI limits and Permanent Supportive Housing (PSH) use.
2. PUPA excess cost and vacancy loss estimates to be collected from surveys of properties within the LAHD loan portfolio.

LAHD's estimated PUPA limit shall be multiplied by two (2) to calculate the maximum assistance limits, representing the two (2) years of maximum allowable assistance under this Program.

2.6 Form of Assistance

Operating Assistance will be provided in the form of a supplemental loan or a grant:

- For awards in excess of \$100,000, the form of assistance will be a supplement to the existing or proposed project loan, with the same loan term, interest rate, and payment terms as the existing LAHD loan.
- For awards below \$100,000, the form of assistance will be a grant to the project owner or sponsor.

2.7 Monitoring and Compliance

Because only properties within the LAHD Asset Management division's existing portfolio, and projects that are slated to enter the portfolio with ULA funding, are eligible to apply for Operating Assistance Program funding, all eligible applicants would already be under LAHD occupancy monitoring and loan management upon submitting a request for operating assistance. Sponsors of awarded projects will continue submitting Audited Financial Statements (AFSs) to LAHD on an annual basis and effectuate residual receipts loan payments.

SECTION 3: FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

3.1 Notice of Funding Availability (NOFA) Issuance

Based on these Operating Assistance Program Guidelines, LAHD will periodically announce a Notice of Funding Availability (NOFA) to accept applications and effectuate awarding of funds. The terms and requirements of these Operating Assistance Guidelines shall be applicable to each NOFA, and a NOFA may incorporate additional supplementary terms and details that further clarify LAHD policy and objectives.

3.2 Development and Planning for Funding Rounds

Subject to funding availability, LAHD shall issue one NOFA per year. Participation in the NOFA shall only be available to projects within the LAHD loan portfolio, or any projects that receive an award of funding through ULA Affordable Housing Programs. The timing of each NOFA shall be announced at least three (3) months in advance of the application opening, and applicants shall have at least 30 days from the opening of the NOFA to submit proposals.

Each Operating Assistance Program NOFA notice shall provide specific maximum assistance limits, which may vary depending on unit typology. Each NOFA may also apply limits to the maximum number of projects for which a developer can request assistance

through this Program. Prior to issuing each NOFA, LAHD will provide an update to the COC and City Council pertaining to the maximum loan limits.

At least five (5) business days before the application window opens, LAHD shall host a non-mandatory Bidders' Conference to provide a high-level overview of the NOFA and respond to sponsor questions.

3.3 Application Submittal and Review

Each Operating Assistance NOFA shall be accompanied by detailed guidance about how to submit a complete application, including where to submit an application and all documentation requirements that must be attached upon submission.

Applications shall be reviewed, underwritten, and scored on a rolling basis until the application window closes. Once the deadline to submit has passed, timely applications that pass threshold review will be scored according to prioritization criteria and ranked by score. For more detailed information about these elements, see *Section 4: Threshold Requirements* and *Section 5: Selection Process and Criteria*.

LAHD will first recommend funding allocations to the highest scoring project, and then allocate to subsequent projects in order of highest to lowest score, until funding is exhausted.

Preliminary recommendations shall be publicized and applicants shall have a window to submit an appeal before LAHD transmits its funding recommendations to the City Council.

3.4 Appeal Process

LAHD's preliminary recommendations of funding allocation can be appealed by the applicant. Each NOFA will provide detailed guidance delineating acceptable grounds for appeal, the process for filing an appeal, and the standards for adjudicating an appeal.

Applicants shall not file an appeal regarding LAHD staff evaluation of another applicant's application.

3.5 Council Approval Process

Consistent with Los Angeles Administrative Code Section 22.618.3(d)(1)(iv), LAHD shall present the Operating Assistance Program projects to the City Council and Mayor with award amounts and conditions to be met prior to funding. As applicable, the City Council and Mayor will authorize the General Manager of the LAHD, or designee, to determine that funding conditions have been met; to negotiate and execute the relevant financing documents for the project, subject to the approval of the City Attorney as to form; to prepare Controller instructions and any necessary technical adjustments consistent with Mayor and

City Council actions, subject to the approval of the City Administrative Officer (CAO); and request that the Controller implement the instructions.

In the event of necessary technical corrections and adjustments that do not change the affordability mix, total number of units, or loan amount per unit, the General Manager of LAHD, or designee, shall be authorized to approve such corrections.

SECTION 4: THRESHOLD REQUIREMENTS

This section enumerates the elements of a complete application and describes the documentation requirements associated with each element. All applicants must demonstrate reasonableness of funding request and long-term feasibility. Applications will first undergo Threshold Review by LAHD to ensure that all required elements have been met.

Applications that do not meet threshold will not be reviewed or considered for funding by LAHD.

4.1 Summary of Threshold Items

The following provides a summary of each Threshold Item and descriptions of materials that will be required to demonstrate the Project satisfies each Threshold Item.

a. Proof of Financial Need

Sponsors face a threshold requirement to demonstrate financial need and reasons for requesting emergency operating assistance. To demonstrate financial need, applicants must submit:

- Audited Financial Statements (AFSs) for a lookback period to be defined by LAHD.
- A complete Variance Analysis using a template workbook that has been approved by LAHD. The Variance Analysis must identify the source(s) of excess costs and/or unexpected revenue shortfalls. The Variance Analysis must be accompanied by a narrative detailing cost-saving measures undertaken to date, as well as an itemized breakdown of how reserves were spent.
- A complete Pro Forma financial analysis using a template workbook that has been approved by LAHD. The Pro Forma must identify the sponsor's estimate for the amount of operating subsidy required to stabilize the project. If non-Program funds are required to finance capital improvements, those sources must be identified on the Pro Forma as well.

b. Stabilization Plan and Exit Strategy

This Program provides time-limited assistance to projects facing resolvable challenges, in an amount equal to up to two (2) years of eligible operating cost or income gaps.

Projects may resolve such operating challenges through one of three Pathways. Project Sponsors must submit a Stabilization Plan and Exit Strategy, indicating which Pathway a project will take:

Pathway A: Award of ULA Operating Assistance Program funds would fully resolve the project's operating gap, without the use of additional non-Program funding sources. Examples of this may include repairs following a fire or flooding.

Pathway B: Award of ULA Operating Assistance Program funds would bridge the project's operating needs, until a more long-term capital funding source can be accessed. Examples of this may include projects that apply for increased voucher payments under established HUD programs.

Pathway C: Award of ULA Operating Assistance Program funds would provide temporary relief from external structural economic or environmental shocks that impact a project's operating expenses or income but are not directly caused by the project sponsor, including but not limited to industry-wide price increases (e.g., increases in insurance premiums).

Sponsors of projects utilizing either Pathway A or Pathway B are required to demonstrate a financial strategy for feasibility, as demonstrated by positive cash flow for at least 15 years.

Sponsors of projects utilizing Pathway B are required to apply for any and all funding sources identified in their Pro Forma.

Sponsors of projects utilizing Pathway C are not required to demonstrate resolution of operating gaps when Operating Assistance relief terminates. Pathway C projects must instead identify systemic cost drivers or economic shocks beyond their control and show, at minimum, positive cash flow during the term of the Operating Assistance support and operating reserves funded at a level that meets the most current LAHD Project Underwriting Guidelines. Project sponsors must also identify the changes in rent levels or other operating revenue and expenses, as well as changes in funding program requirements that would be needed to make projects feasible even if the economic shock, such as higher insurance or utility costs, does not change.

A sponsor's failure to submit timely and complete applications for external funding sources, or to take meaningful action toward other milestones named in the Stabilization Plan and Exit Strategy, may result in the inability to apply for other Operating Assistance funds in the future.

c. Rehabilitation and Capital Needs Assessment

For projects utilizing Pathway B, if identifying capital improvement needs, Project Sponsors must submit a Capital Needs Assessment (CNA) as a threshold requirement. The CNA enumerates maintenance, repairs, rehabilitation and other capital improvement needs.

Project Sponsors must also provide a Scope of Work (SOW) that is responsive to the areas of concern identified in the CNA.

d. Relocation

Any tenants temporarily displaced due to ULA-funded remediation and repair activities must be offered Relocation benefits. Project sponsors shall submit a Relocation Plan, which must include offers of comparable dwellings.

For more information, please refer to *Los Angeles Administrative Code* Section 22.618.3(d)(1)(i)(c).

e. Accessibility Standards

Project sponsors must provide a Self-Certification Form for Compliance to Accessibility Standards. Depending on the scope of work to be funded, City-funded projects must comply with all accessibility standards in effect at the time of the NOFA, as applicable. These include the federal Americans with Disabilities Act (ADA), State of California Disabled Persons Act, the City of Los Angeles Accessible Housing Program (AcHP) and any other statutes, ordinances, regulations, court orders, consent decrees, or other legally enforceable standards that may apply to housing projects. Existing projects that do not comply with the City's AcHP standards at the time of application shall provide a certification of compliance with the tenant education and reasonable accommodation requirements of the AcHP program and an acknowledgement that future construction work would require compliance with physical standards.

4.2 Application Requirements

Subject to funding availability, LAHD will issue at least one NOFA per fiscal year. Public notice of the NOFA shall detail the complete application requirements and the amount of funding available. Each NOFA will indicate the form of the application, which must be submitted electronically. For an application to be considered complete, all requirements listed in the NOFA must be timely provided.

At LAHD's discretion, a NOFA may provide additional application and/or threshold requirements that are not listed in these Operating Assistance Program Guidelines.

SECTION 5: SELECTION PROCESS AND CRITERIA

Applications determined to have passed Threshold Review will be scored and prioritized for funding based on selection criteria outlined in this section.

5.1 Evaluation and Scoring Criteria - General

All applications that pass Threshold Review will be scored according to a Scoring Matrix, which will be an element of each Operating Assistance NOFA issued by LAHD. The Scoring Matrix shall prioritize projects which have undertaken pre-application efforts to control and contain costs, projects that submit high-quality a Stabilization Plan and Exit Strategy, and overall cost effectiveness. These criteria will be further specified in each NOFA and refined in consideration with key priorities and available resources at the time of development of each NOFA.

Applications with the highest scores will receive funding allocations first, until funds are exhausted. In the event that two or more projects receive the same score, selection priority may be determined by a tiebreaker, to be defined in each implementing NOFA.

5.2 Evaluation and Scoring Criteria

Each NOFA will include specified scoring criteria that will reflect the following priorities:

Priority	Description
LAHD Troubled Asset Working Group's Watchlist	These are LAHD loan portfolio projects whose operating and/or replacement reserves are depleted.
Stabilization Efforts to Date	Projects demonstrating meaningful corrective measures to bring down operating costs or address financial challenges.
High-quality Stabilization Plan and Exit Strategy	The quality of a Stabilization Plan and Exit Strategy will be evaluated on the basis of: <ul style="list-style-type: none"> • Financial stress testing of the Pro Forma. • Pathway A and B projects will also be evaluated on their ability to achieve stable operations upon the sunset of Program relief.
Projects that serve ALI/ELI households	There will be priority for projects that restrict a certain percentage of units for Acutely Low Income (ALI) and/or Extremely Low Income (ELI) households.
Projects that will maintain Nonprofit, CLT, or shared-equity tenant	There will be priority for projects that are or will be owned by Nonprofits, CLTs, and/or shared equity tenant groups (i.e., public agencies and housing authorities are lower priority).

ownership	
Cost Effectiveness	Projects that need less than 70% of maximum per unit assistance limits will be prioritized.

DRAFT