ULA ACQUISITION AND REHABILITATION OF AFFORDABLE HOUSING PROGRAM GUIDELINES

Draft for Consideration by the United to House LA Citizens Oversight Committee
August 8, 2024

TABLE OF CONTENTS

INTRODUCTION

1. Program Summary

a. Goals and Requirements

The Acquisition and Rehabilitation of Affordable Housing Program is a United to House LA (ULA) Affordable Housing Program that has an overarching goal of preserving the affordability of existing housing, preventing the displacement of residents who depend on the affordability of existing housing, ensuring the operating health of, and extending the useful life of, the preserved properties by providing the funding needed for rehabilitation work and capital improvements, and cultivating resident governance and/or ownership of their 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 are 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 or such other maximum length of time as may be permitted by applicable law, with limited exceptions to permit 55-year covenant terms if required by other funding sources in the project.
- Resale of rental property is restricted to Nonprofits, Limited Equity Housing Cooperatives (LEHCs), and/or Community Land Trusts (CLTs).
- One-to-one replacement of existing qualifying units as required, as verified by a Replacement Unit Determination (RUD) from the Los Angeles Housing Department (LAHD).
- Projects must 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 Acquisition and Rehabilitation of Affordable Housing Program:

- Activities must target existing housing, including but not limited to rental properties, rent-stabilized housing, residential hotels, Accessory Dwelling Units (ADUs) and Junior ADUs, and housing with existing covenants whose covenants would expire within ten (10) years of project onset.

- With the exception of acquisitions of Residential Hotels, at least 50% of units must be occupied by Lower Income Households upon acquisition.
- Existing tenants of acquired properties shall not be permanently displaced, even if their incomes exceed the lower income household limits or any income limits set for their unit.
- Housing units must be acquired and managed by a public entity, a local housing authority, a qualified CLT, an LEHC, or a 501(c)(3) non-profit entity.
- Acquisition must include a plan for resident engagement in building governance, and may include a plan for tenant ownership.
- Project funding may take the form of grants or loans.
- Funding shall not require leveraging if additional funding requirements would make any ULA program requirements infeasible or preclude any future conversion to tenant ownership.

b. Program Areas

The Acquisition and Rehabilitation for Affordable Housing Program includes two key Program Areas. This document includes guidelines for each of the two Program Areas:

1. **Small Naturally Occurring Affordable Housing (NOAH) Program Guidelines:** The Small Naturally Occurring Affordable Housing (Small NOAH) Program aims to preserve the affordability of properties where tenants are at risk of displacement. It provides funding to acquire and conduct rehabilitation work on NOAH properties. This subprogram is administered through a third party administrator.
2. **Preserving Affordability Program Guidelines:** This subprogram would facilitate acquisition of for-profit-owned affordable properties with covenants within 10 years of expiring; or facilitate acquisition of Nonprofit-owned affordable properties with covenants within 10 years of expiring, and are being sold or transferred to another Nonprofit in order to maintain operations as affordable housing.

In order to provide certainty and allow for advance planning regarding the amount of funds that will be available for each Program Area, program funds shall be apportioned for the first three years as follows, unless the City Council approves, with the advice of the ULA Citizens Oversight Committee (COC), a finding that a different allocation is needed:

- **Fiscal Year 24-25:** No more than 50% apportioned to the Preserving Affordability Program and at least 50% to the Small NOAH Program, inclusive of the Fund Administrator costs.
- **Fiscal Year 25-26:** No more than 40% apportioned to the Preserving Affordability Program and at least 60% to the Small NOAH Program, inclusive of the Fund Administrator costs.

- **Fiscal Year 26-27:** No more than 40% apportioned to the Preserving Affordability Program and at least 60% to the Small NOAH Program, inclusive of the Fund Administrator costs.

Each year, the Los Angeles Housing Department (LAHD) and the COC will present a summary of housing needs and housing production to the City Council and Mayor. LAHD will include in this annual report a summary of all City-controlled funding sources for housing production and preservation, to demonstrate how ULA funds can be used within the context of the City's overall housing needs and resources. Preservation needs will further include data on the financial and physical health of the City's housing portfolio, other LAHD analysis, data compiled by HCD pursuant to the State's Preservation Notice Law, financial restructuring requests from project sponsors, and projects flagged as concerns by tenants, community groups, and City Council offices.

Each fiscal year, with the recommendations of the COC and LAHD, the City Council and Mayor will approve and apportion a three (3) year expenditure allocation for the Acquisition and Rehabilitation for Affordable Housing Program, with funds allocated between the Small NOAH Program and the Preserving Affordability Program based on anticipated need, and realistic and demonstrated pipeline of potential projects in each program. The expenditure allocation will include a process for pre-identifying potential projects that are likely to utilize the Preserving Affordability Program, in order to forecast that subprogram's budgetary needs in a three (3) year cycle, with the remainder of annual funds being allocated to the Small NOAH Program.

2. Context

The State of California's Regional Housing Needs Assessment (RHNA) obligates the City of Los Angeles to facilitate the production of sufficient units to meet housing needs at all income levels, which include needed housing for forecasted population growth and household formation, as well as unmet needs from prior years. In the eight-year period from 2021 to 2029, the City's RHNA goal is 456,643 units. Of these, 184,721 units must be affordable to lower-income households. This means that the City must produce affordable housing at an average rate of 23,090 units per year in order to meet the RHNA goal.

In addition to the challenge of producing more affordable housing units, the City is also faced with an aging portfolio of existing deed-restricted affordable housing. A recent report by LAHD found that nearly 6,000 housing units could see their affordability restrictions sunset by the year 2027. Of these, 460 units across 23 properties have expiring affordability covenants, no alternative funding source, and will not fall under the City's Rent Stabilization Ordinance (RSO), and 33 of the units are in 100% affordable properties.

Beyond the need to preserve the City's deed-restricted affordable housing portfolio, there is additionally a need to ensure that existing naturally-occurring affordable housing, including rental housing that is subject to the RSO as well as rental housing that is rented below market rents, continues to be available for lower income households — particularly in areas of the City that are experiencing elevated displacement and redevelopment pressures.

ULA provides funding for several affordable housing production paradigms. Among these, the Acquisition and Rehabilitation of Affordable Housing program is the most focused on preserving the City's existing housing stock, with the goal of stabilizing tenants in their homes, providing resources to rehabilitate properties, ensuring affordability in perpetuity, and providing an opportunity for tenants to play an enhanced role in the management of their housing, and/or establishing tenant ownership.

3. Commitment to Racial Equity

Existing data and scholarship confirm that Black, Latinx, and other communities of color are disproportionately affected by homelessness. These Acquisition and Rehabilitation of Affordable Housing 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 combat the expiration of affordable housing covenants, the decrease in naturally occurring affordable housing, and the lack of innovative initiatives to streamline and finance affordable housing units through a variety of interventions, the implementation of the Acquisition and Rehabilitation of Affordable Housing Program is specifically designed to promote racial equity, with a focus on addressing affordable housing needs by acquiring and rehabilitating existing units, with the goal of reducing displacement, while extending affordability for the City's most vulnerable communities. The program is designed to stabilize tenants in their existing housing, and provide greater resident self-determination by supporting meaningful resident engagement in building operations and management, as well as encouraging tenant ownership of housing.

Consistent with this commitment to promote racial equity, the Acquisition and Rehabilitation of Affordable Housing 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 Acquisition and Rehabilitation of Affordable Housing Program provides resources to proactively address racial and economic segregation throughout the City by creating housing opportunities that address historic patterns of discrimination and exclusion, promote permanent affordability and resident engagement and ownership in their housing, and 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 for the Acquisition and Rehabilitation of Affordable Housing Program. To the extent feasible, this information includes but is not limited to, the number of units acquired, and/or preserved, the number of residents located within each project, the form of ownership, and the number of jobs created. Development activities will be tracked by dollars spent on housing construction and preservation. 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
Acquire and preserve affordable housing units, in alignment with ULA goals and priorities.	● Number of units acquired and rehabilitated, reported by: ○ Income category. ○ Location in High or Highest Resource areas. ○ Location in Racially/Ethnically Concentrated Areas of Poverty (R/ECAP). ○ Location in Racially Concentrated Areas of Affluence (RCAA). ○ Location near public transit.
Create construction jobs from development projects, in alignment with ULA goals and priorities.	● Number of jobs created, disaggregated by: ○ race/ethnicity; ○ gender; and ○ share of workers living within the City of Los Angeles.
Preserve housing affordability for tenants, in alignment with ULA goals and priorities.	● Number of people with preserved affordability to be disaggregated by the ULA measure and ordinance reporting requirements; ● Number of previously uncovenanted units brought under affordability covenants; and ● Number of previously covenanted units whose affordability levels were modified under a new covenant.

Cultivate resident governance and/or ownership of housing.	● Number of projects and units with community/resident governance, to be disaggregated by Subprogram; ● Number of projects and units with resident ownership.
Maximize ULA investment by ensuring cost effectiveness and timely delivery of needed housing.	● Total Development Cost (TDC) per unit per project by project type and program ○ For the Expiring Covenants Program: Average per unit per year cost to buy back affordability covenants ● Number of Months Elapsed from First Predevelopment Activity to Placed-In-Service as deed-restricted affordable housing.

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.

"Financial Stress" shall mean a condition of elevated risk to a project, characterized by some combination of operating deficits, elevated vacancy loss, major deferred maintenance and/or

deferred capital improvements, depletion of reserves, and/or losses due to economic shocks such as natural disaster.

“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."

"Milestones Commitment Letter" shall mean a letter describing planned activities during the pre-development, construction, and lease-up stages of a project, as applicable, and the timelines for each activity. The activities and timing can be presented in a table, and the letter must acknowledge that failure to meet project milestones in a timely fashion will constitute a default event.

"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 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 last 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 Formula*" shall mean a formula that is reflected in a ground lease and/or an applicable deed restriction that sets an upper limit on the price for which a home or a cooperative share with resale restrictions may be resold, and that is applied consistently to each home or share upon resale.

"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 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.

"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.

Small NOAH Program Guidelines

SECTION 1: ADMINISTRATIVE OVERVIEW

1.1 Program Administration Overview

The Small Naturally Occurring Affordable Housing (NOAH) Program shall be administered by the City of Los Angeles Housing Department (LAHD). LAHD will select and contract with a qualified Community Development Financial Institution (CDFI) or nonprofit financial institution with experience lending to affordable housing projects and CLTs, as a program partner to assist with administration of the Small NOAH Program. The CDFI or nonprofit financial institution will act as the Fund Administrator to pre-qualify and pre-approve loans to potential project sponsors, oversee application processes, underwrite projects, score applications as applicable, and disburse funding to selected applicants, as further described in *Section 1.2*.

LAHD will oversee the Fund Administrator, provide administrative support, and provide ongoing program monitoring and evaluation to ensure program operations comply with City policies and meet performance standards. LAHD will also ensure that needed compliance review is conducted regularly, to ensure compliance with all applicable regulations and requirements, including recording and monitoring covenants.

1.2 Fund Administrator Role and Scope of Services

The Fund Administrator will be responsible for pre-qualifying potential Project Sponsors, holding application process, underwriting projects, scoring applications as applicable, and disbursing funds to selected applicants in accordance with the funding agreement. The Fund Administrator will be the Department's main point of contact with Project Sponsors throughout the application, underwriting, and funding process.

Upon contracting with the Department, the Fund Administrator will be responsible for completing all activities listed in the Scope of Work (SOW), including:

- Developing and annually updating the following Plans and Guidelines:
  - Fund Administrator Capacity, Services, and Staffing Plan
  - Guidelines for Underwriting Standards
  - Guidelines for Project Sponsor Outreach and Marketing Plan
  - Guidelines for Tenant Engagement and Leadership Plan
  - An application process that specifies:
    - The form and frequency of funding rounds
    - For competitive funding awards, the scoring criteria and methodology that would govern application selection

- Ongoing Program Administration
  - Pre-Qualification of Project Sponsors
  - Pre-Approval of loans
  - Underwriting Loan Applications
  - Scoring Applications, if the funding award is competitive
  - Disbursing loans
  - Coordinating with the ULA Capacity-Building Program, as relevant, to support training for tenant groups, property managers, developers and owners in project governance and management best practices
  - Any other tasks identified in the contract

- Metrics and Reporting
  - Collecting program performance and outcomes metrics as defined by contract terms.

Implementation Plan:

The Fund Administrator will develop an Implementation Plan that shall outline the activities and milestones that must be completed during the Implementation Phase of the contract.

The Implementation Plan milestones shall include the adoption of all Plans and Guidelines named in the SOW.

The Fund Administrator may utilize draft documents pertaining to the aforementioned plans and previously submitted to LAHD during the competitive selection process. The drafts must be finalized during the Implementation Phase of the contract.

Pre-Qualification of Project Sponsors:

The Fund Administrator shall develop an outreach and marketing plan to engage potential Project Sponsors and solicit applications for Pre-Qualification. The Pre-Qualification process allows the administrator to identify potential Project Sponsors, vet the development team's experience, and Pre-Approve loans based on estimated costs and maximum project size.

Monitoring and Reporting:

The Fund Administrator shall be responsible for ensuring compliance with certain Program requirements, including Tenant Governance and Resident Leadership, as well as collecting and reporting Program performance metrics such as count of units preserved, demographic data on tenants and residents, and metrics related to cost effectiveness and timeliness.

1.3 Fund Administrator Procurement

Implementation of the Small NOAH Program requires contracting with a Fund Administrator. All procurement activities must be conducted consistent with the City Administrative Code and relevant City and LAHD policies. Based on consultation with the COC and approval by City Council, LAHD will issue a Request for Proposals (RFP) to solicit and select a contractor to act as the Fund Administrator. The contract will be for a renewable, multi-year term. If the contract is not renewed at the end of the contract term, except in the case of a breach of contract, there will be an offer for a one-year extension to facilitate selection of, and transition of programs to, a new Fund Administrator.

a. Evaluation and Selection Process

Award of a contract to a Fund Administrator shall be based on a best value competitive bid. Prior to release of an RFP, LAHD will establish threshold requirements, which shall include the following minimum requirements:

- Fund Administrator shall have originated and serviced at least $50,000,000 in loans to develop, maintain, improve, or acquire affordable housing, including loans for NOAH.
- Fund Administrator shall demonstrate experience working with Nonprofits which acquire and rehabilitate small multifamily properties, including but not limited to Community Land Trusts (CLTs) and community development corporations (CDCs) and that are deeply connected to residents in neighborhoods and communities with an emphasis on historic communities of color that are facing Elevated, High, and/or Extreme Displacement Pressures (as indicated by Urban Displacement Map, pending development of a City-specific methodology).

Selection priority will be given to bidders with the following characteristics:

- Experience managing pools of funds;
- Experience implementing affordable housing lending activities with local, state, and/or federal funds;
- Experience granting and/or lending funds for NOAH acquisition and rehabilitation projects that include projects that are owned by the residents, or are planned for conversion to tenant ownership through an LEHC or other form of tenant ownership;
- Experience processing grants and/or loans for property acquisitions in a manner that is sufficiently expedient to facilitate the purchase of real property by a nonprofit affordable housing organization within a 60-day escrow period;
- Having an office in Southern California; and
- Currently conducting lending activities within the boundaries of the City of Los Angeles.

The RFP will solicit proposals from the potential Fund Administrator, to inform program design. Respondents will submit a fund administration plan that, in addition to other criteria, will set forth recommendations regarding:

- Outreach and marketing to solicit Project Sponsor Pre-Qualifications;
- Program underwriting standards;
- The frequency of funding availability and application process (e.g., funds available through open window application, or multiple competitive funding periods per year); and
- Required standards for tenant and resident engagement and ownership.

The RFP will provide additional details, including a revised update of the Program budget as ULA revenues are tabulated, as well as scoring and selection criteria for bidders, scope of work, and reporting and compliance requirements. LAHD will allow at least two (2) months after publication for interested parties to submit bids.

1.4 Fund Administrator Fund Disbursal and Compensation

a. Streamlined Funding Process

LAHD will release ULA revenues to the Fund Administrator in four (4) tranches each year, as quarterly revenues are tabulated and encumbered to the Small NOAH Program.

The City will approve expenditure authority to the contracted Fund Administrator to release funding to Pre-Approved Project Sponsors with projects that meet City-approved underwriting criteria.

b. Fund Administrator Compensation

The Fund Administrator will be compensated for administrative costs and overhead in an amount equal to two percent (2%) of the total contract compensation amount, leaving 98% of the contract compensation to be passed through to Small NOAH acquisitions. In addition to this annual compensation, the Fund Administrator can receive a one-time cash advance to fund startup activities.

1.5 Application Schedule

As described in *Section 1.2*, the Fund Administrator will propose to implement an open window funding model or a competitive funding round model, or a hybrid model, as part of their response to the RFP. Application schedules will be set to ensure, contingent on availability of Program funds, multiple application periods each calendar year.

SECTION 2: GENERAL PROVISIONS

The following section provides a summary of general Program requirements and provisions, which shall be incorporated in the Implementation Plan, Underwriting Criteria, and Funding Application and Review activities conducted by the Fund Administrator.

2.1 Eligible Applicants

Eligible Project Sponsors are public entities, local housing authorities, Community Land Trusts (CLTs), Limited Equity Housing Cooperatives (LEHCs), and 501(c)(3) non-profit entities. Partnerships such as General Partnerships, Limited Partnerships, and Limited Liability Companies (LLCs) may apply provided that the Managing General Partner is an eligible entity.

<u>Affordable Housing Experience</u>

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

2.2 Eligible Projects

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

<u>Eligible Project Types:</u>

Eligible Project Types include the acquisition of existing, non-deed-restricted housing, including but not limited to housing that is subject to the City's Rent Stabilization Ordinance (RSO).

<u>Project Size:</u>

Small NOAH projects must be between three (3) and twenty (20) units, inclusive of any units that will be added using Program funding. The unit count maximum may be adjusted upward in the NOFA as revenue for the program grows over time, and/or key opportunities are identified that meet House LA goals

<u>Affordability Requirements and Rent Schedules:</u>

- A majority of a property's occupied units must be occupied by Lower Income Households upon acquisition, which shall be assumed if a majority of tenants return attestations that their incomes are at or below the lower income level, utilizing a form provided by LAHD.

- Upon completion of preservation activities, all units must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below. Existing tenants should not be displaced if their incomes exceed 80% AMI or any lower income limits adopted for their unit. Unit affordability targets should be achieved over time through natural unit turnover.
- All deed restricted affordable units must be affordable in perpetuity, as defined in *Section 2.5*.
- LAHD will apply HUD/LIHTC income targeting and rent schedules, with the exception of when the project or units in the project are subject to regulatory agreements that require Health and Safety Code income targeting and/or rent schedules.

Labor Compliance:

Construction and rehabilitation work funded through this Program must pay prevailing wage.

Outside Leveraging:

Leveraging of additional public or private funding sources is not required in this Program. The Fund Administrator will be a CDFI or non-profit financial institution that will underwrite projects on behalf of the City and award City funds. Subject to the discretion of Project Sponsors, additional outside financing may be secured so long as the terms of any such funding source do not conflict with Program regulations, the funding source does not mandate shorter than permanent affordability, the funding source does not preclude the future conversion of the property to tenant ownership, and the Fund Administrator determines, based on approved underwriting standards, that the project is capable of supporting any associated debt service.

2.3 Eligible Activities

Eligible activities include financial assistance, including but not limited to Service Payback Loans with a maximum 30-year term, and/or making subordinate, fully-amortizing, and/or residual receipts loans to projects that provide affordable rental or homeownership housing, including shared ownership, and/or supportive housing. Eligible activities may also include establishment of a Predevelopment Fund to support escrow deposits and due diligence activities.

Eligible project costs include:

- Acquisition costs during predevelopment;
- Predevelopment costs, including but not limited to, costs for architectural plans and renderings, Environmental Review and Historic Preservation; and Phase I Environmental Assessment Report, Phase II Environmental Assessment Report (if

required), and Lead/Asbestos Reports as defined in the Department's Affordable Housing Managed Pipeline Program Requirements (Sept. 2022);

- Construction and financing costs, including but not limited to, demolition, off-site public improvements, construction bonds, general contractor and subcontractor payments including overhead, profit, and general conditions;
- Soft costs related to the construction, development, and/or rehabilitation of the project, including but not limited to, conventional financing, design, program, financing, entitlement processing, developer fees, legal fees, and professional fees;
- Any costs related to installation, construction, legalization, and/or permitting of Accessory Dwelling Units (ADUs), Junior ADUs (JADUs), and/or Unpermitted Dwelling Units;
- Replacement reserves; and
- Reasonable reserves for annual operating costs, for projects requiring short-term capitalized operating assistance, that are still able to demonstrate long-term financial viability without operating assistance other than from Section 8 Housing Choice Vouchers or similar long-term rental housing vouchers.

2.4 Ineligible Activities

Funds awarded under the Small NOAH Program shall not be used for the following expenses or activities:

- Substitution for any committed permanent project financing source, unless the substitution was approved at the time of commitment.
- Costs associated with units not funded by the City of Los Angeles.
- Commercial space or tenant improvements.
- Reimbursement for project costs that have been paid by another permanent project funding source, unless the reimbursement was approved at the time of commitment.
- Travel expenses, food, or meals.
- Application fees for other project financing.
- Office or general organizational expenses.
- The payment of delinquent taxes, fees, or charges on properties, unless payment is part of the acquisition (e.g., Chapter 8 purchases).

2.5 Loan / Financial Assistance Terms and Limits

Loan Limits: At least once per fiscal year, loan limits will be established according to the following process:

1. LAHD, or its designee, will determine loan limits based on the average per unit Total Development Costs (TDC), based on various unit typologies, in the previous fiscal year. LAHD, or its designee, will use comparable benchmark projects funded by ULA or other City sources to determine average costs.
   i. Average per unit costs will be adjusted by an inflation factor.

   ii. Availability and feasibility of leveraged funding sources will be considered as a factor.

2. LAHD, or its designee, will determine the average per unit supportable debt by unit typology and at prevailing interest rates.
3. LAHD, or its designee, will set loan limits based on the gap between the per unit cost, per unit soft sources available, and per unit supportable debt.

LAHD, or its designee, may update loan limits more frequently if necessary to account for changes in economic conditions.

Loan Type: Construction (including reimbursement of acquisition and predevelopment costs), and permanent loans. Permanent loans may allow for transfer of ownership to a legal entity owned and/or controlled by residents.

Interest Rate: The interest rate for fully amortizing loans is three percent (3%) simple interest, and LAHD may determine a lower interest rate of no less than 1% if it is found to be necessary for project feasibility. In the case of Service Payback Loan or other forgivable loan product, the interest rate may be 0%.

Calculation of Interest: Simple interest will be calculated on the loan amount outstanding and based upon a 365-day year, and actual number of days elapsed.

Term of Permanent Loan: The loan term shall be up to 60 years if fully amortizing, or a maximum of 30 years in the case of a Service Payback Loan or other forgivable loan product

Term of Affordability Covenant: The term of the affordability restrictions shall be in perpetuity. LAHD will have flexibility in structuring its funds to ensure affordability in perpetuity to align with other leverage sources as needed to maintain feasibility.

Developer Fee: The allowable Developer Fee(s) will be established by LAHD for each NOFA, and shall be based on the financial and operational risk borne by the developer / owner, and the financial risk borne by the lender(s), if any.

These loan and financial assistance terms may be adjusted in the future, in consultation with the Citizens Oversight Committee, based on additional research and policy considerations regarding social housing strategies.

2.6 Loan Management and Occupancy Monitoring

a. Loan Management

Sponsors of awarded projects are required to comply with the following:

- Submit Audited Financial Statements (AFSs), which may be in the form of consolidated financial statement of the Project Sponsor, annually.
- If applicable, effectuate loan payments by the date indicated on the loan agreement.
- If applicable, complete a Calculation of Residual Receipts Form using information from the AFS for each project. LAHD or the Fund Administrator as its designee may make technical adjustments to the calculation before issuing a final invoice for any underpayments, or providing a credit for overpayments.
- Maintain adequate operating and replacement reserves, and obtain pre-approvals from LAHD or its designee prior to withdrawals from these funds.
- Submit Real Estate Owned Schedule annually showing actual operating costs and income for each project.

b. Occupancy Monitoring

Once a year, project owners must submit documentation that demonstrates that tenants who occupy restricted units are income-eligible and that the rents they pay are within the allowable program limits. Affirmative marketing practices aim to further the goals of the ULA measure and ordinance, which include improving access to permanent affordable housing for vulnerable populations. Affirmative marketing practices shall require that project owners market to non-English speakers. The Project Sponsor will also agree to provide regular reporting on demographic information related to tenants, consistent with ULA-required tracking and reporting on tenants housed using Program funds.

c. Default

The loan agreement will specify the events that may cause LAHD or its designee to declare the borrower in default. These events include, but are not limited to:

- Failure to purchase the subject property;
- Failure to construct/rehabilitate the proposed project within the time agreed;
- Breach of rental/ownership covenants;
- Failure to maintain the property in good condition;
- Failure to make agreed-upon loan repayments;
- Failure to receive an LAHD approval prior to any change in ownership entity;
- Breach of affirmative action, equal opportunity, contractor responsibility, equal benefits or MBE/WBE requirements;
- Failure to submit annual financial statements certified by a certified public accountant;
- Failure to comply with Measure ULA Project Labor Agreement requirements and/or prevailing wage requirements, as applicable;
- Failure to meet accessibility construction standards, and/or failure to comply with all applicable accessibility standards, including but not limited to: Section 504 of the Rehabilitation Act of 1973 as amended, Title VIII of the Civil Rights Act of

1964 as amended in 1988 by the Fair Housing Amendments Act, and the Americans with Disabilities Act Title II, the State of California's Unruh Act, Department of Fair Employment and Housing (DFEH) Regulations and California Government Code Section 11135 et. seq.;
- Failure to maintain appropriate insurance coverage without LAHD approval;
- Commencing construction (including demolition) without LAHD authorization;
- Failure to abide by development and/or construction schedules;
- Failure to maintain the project "in balance" during construction;
- Failure to pay property taxes that are associated with the project;
- Bankruptcy;
- Dissolution or insolvency of the ownership entity; and
- Uncured event of default under any other loan agreements from federal, state or county or private lenders.

2.7 Event of Conflict

Projects must comply with all covenants and loan agreements. Where discrepancies exist between these Small NOAH Program Guidelines and other funding requirements, the most restrictive will prevail.

SECTION 3: PRE-QUALIFICATION, FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

3.1 Pre-Qualification Process

Pre-Qualification is the first step in the application process. Pre-Qualification will be used to conduct an initial screening of potential Project Sponsors and provide loan Pre-Approvals based on cost estimates and maximum project size. Loan Pre-Approvals may facilitate potential borrowers moving more quickly and flexibly in negotiating acquisitions.

Pre-qualification applications are accepted throughout the year. However, to receive funding from the Small NOAH Program, Pre-Approved borrowers must still submit a second, full loan application with project-specific details once an acquisition has been negotiated. Borrower details that were validated through the Pre-Qualification process do not need to be reviewed again.

The Fund Administrator will pre-qualify applicants based on the following:

- Compliance with *Section 2* of these Guidelines.
- Project Sponsors must have experience in acquiring and rehabilitating at least three (3) properties and maintaining them as affordable housing within the last ten (10) years. Details on all completed affordable housing development projects within the last ten (10) years should be provided and demonstrate financial performance via

Audited Financial Statements (AFS) as well as proper habitability standards. In addition, sponsor experience will be evaluated based on underwriting standards adopted by the Fund Administrator and as approved by LAHD.

- Project Sponsors must have a minimum of two (2) years of experience with resident engagement in design and/or management, community organizing or providing services to low-income communities, preferably with specific experience in affordable housing ownership by residents or by organizations that are controlled by a majority of lower-income community residents. Partnering with a community-based organization, CLT or other organizations with tenant leadership experience can count toward this requirement.
- Project Sponsors must identify employees and/or contracted consultants with professional experience necessary to carry out the duties of managing the acquisition, rehabilitation, leasing, and management of affordable housing projects.
- Project Sponsors (or all entities in a Partnership) must have a demonstrated commitment to advancing racial equity and reducing racial disparities in housing outcomes, as evidenced by:
  - A profile describing the organization’s mission, length of existence, staff experience, characteristics of its Board of Directors, and its commitment to affordable housing and advancing racial equity;
  - A narrative analysis of racial disparities in housing outcomes in the organization’s geographic coverage area, e.g., income by race, housing cost burden by race, history of displacement of residents of color; and
  - A description of actions the organization is already taking or will take to reduce racial disparities in housing outcomes (e.g., tracking the race and ethnicity of residents served by the organization, engaging with residents to inform the organization’s work, marketing projects to different racial and ethnic groups, and using a tenant or homebuyer selection process that does not disadvantage certain racial groups and actively mitigates potential inadvertent racial bias).

If an organization does not fully meet all of the Pre-Approval criteria individually, a Project Sponsor may pre-qualify by partnering with experienced Nonprofit organization(s), as evidenced by either:

1. Presenting a partnership agreement with an experienced non-profit organization that meets the eligibility and capacity criteria.
   - Partnership agreements should show (i) allocation of ownership shares, (ii) allocation of key management responsibilities and liability, and (iii) agreement on compensation or revenue-sharing.
2. Presenting a Memorandum of Understanding (MOU) with an experienced non-profit organization that meets the eligibility and capacity criteria.
   - MOUs must show (i) compensation of the involved parties, including allocation of share of developer fee, cash flow, and net sale proceeds, if any, and (ii) assignment of key management responsibilities to the experienced

non-profit.

Upon successful Pre-Qualification, the Fund Administrator will provide a Pre-Approval Letter to the organization. The Pre-Approval Letter will include parameters governing the uses of the loan, maximum amount of financing that can be provided, maximum unit counts for the acquisition target(s), as well as the form of the full loan application to be completed once the sponsor has identified and negotiated an acquisition. The Pre-Approval will be valid for a year, or a longer term as deemed appropriate by the Fund Administrator and LAHD.

3.2 Annual Development and Planning for Pre-Qualification Application

At least once per year, the Fund Administrator and LAHD will provide updated guidance pertaining to maximum loan limits, project underwriting standards, and resident leadership requirements applicable to the most current Funding Availability. Loan limits will be determined as a function of estimated development costs, anticipated non-ULA leveraged funds, and LAHD goals with respect to unit typology and affordability mix, as described in *Section 2.5*.

3.3 Loan Application Form and Process

Each Pre-Approval Letter shall be accompanied by detailed guidance about how to submit a complete final loan application, including where to submit the loan application and all documentation requirements that must be attached. Pre-Approved borrowers can exercise the option to submit a full loan application at any time prior to the expiry of their Pre-Approval. *Section 4: Threshold Requirements* provides additional details on what documentation must be submitted as part of a full loan application.

Based on these Small NOAH Program Guidelines, draft documents submitted during the contractor's successful selection process, and finalized Implementation Plan documents, the Fund Administrator will administer either an open window application process, a competitive funding round process, or a hybrid of the two.

<u>Open Window Model</u>

The Fund Administrator may review and approve loan applications on a rolling basis, awarding funds to all projects that pass threshold review until funds are exhausted. If the Fund Administrator elects to award funds on an open window model, funds will be awarded on a first-come-first-served basis to Pre-Approved borrowers who are able to bring viable projects that satisfy threshold review.

Competitive Funding Round Model

Alternatively, contingent on funding availability, the Fund Administrator may hold up to four (4) competitive funding rounds per year, in which applications meeting threshold review would be assigned scores and ranked in accordance with *Section 5: Selection Process and Criteria*. Under the competitive funding round model, loan applications will be held until the competitive funding round opens, and the Fund Administrator would 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.

Funding recommendations shall be publicized and applicants shall have a window to submit an appeal before the Fund Administrator finalizes the allocations and commits funds to awardees.

3.4 Appeal Process

Fund Administrator determinations of funding awards or denials can be appealed by the applicant. Each Funding Availability notice will provide detailed guidance delineating acceptable grounds, process for filing, and standards for adjudicating an appeal.

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

3.5 Commitment of Funds

Upon resolution of any appeals, the Fund Administrator will execute Loan Agreements with the final selected projects and transmit funds to the project sponsors.

In the event of a need to increase loan limits above the conditional commitment amounts in order to close unexpected gaps and accelerate affordable housing production, the Fund Administrator can increase by up to 10% above the awarded loan commitment, subject to funding availability.

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 project feasibility. Applications will first undergo Threshold Review by the Fund Administrator to ensure that all required elements have been met.

Applications that do not meet threshold requirements will not be reviewed or considered for funding by the Fund Administrator.

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. **Sponsor Pre-Qualification**

Pre-Qualification is a prerequisite of submitting an application during a Funding Availability. See *Section 3* of these Small NOAH Program Guidelines for more information.

b. **Financial Feasibility**

Financial feasibility is a threshold requirement. To demonstrate financial feasibility, applicants must submit a complete pro forma financial analysis using a template workbook that has been prepared by the Fund Administrator and approved by LAHD. Projects will be reviewed according to underwriting standards adopted by the Fund Administrator and approved by LAHD, which shall be updated periodically and available to the public.

c. **Majority Lower Income Requirement**

Lower Income Households must comprise a majority of the acquisition target's units at the time of the application. Project Sponsors can demonstrate this by submitting attestations from a majority of existing residents that they have household incomes at or below the requisite AMI level.

d. **Rehabilitation and Capital Needs Assessment**

Applicants must submit a Capital Needs Assessment (CNA) that identifies maintenance, repairs, rehabilitation and capital improvement needs within the next five (5) years, if any.

They must also provide a Scope of Work (SOW) that is responsive to the areas of life and safety concerns identified in the CNA.

Additionally, the SOW must address plans for legalizing or permitting any unpermitted dwelling spaces. All residential units must be City's definitions of a "dwelling unit" and fully conform with applicable codes. If a project includes existing unpermitted or illegal units, whether occupied or unoccupied at the time of acquisition, legalization and permitting (or demolition, if vacant) of the units must be included in the project scope.

Small NOAH Program projects are required to complete, at minimum, the items indicated within the SOW and as supported by the CNA.

e. **Timeliness**

Timely completion of affordable housing is a core objective of the Small NOAH Program, and project sponsors are required to provide a Milestones Commitment Letter as part of threshold review. The Milestones Commitment Letter must outline key pre-development and construction activities and timelines for completion thereof, including expected submission of building permits and start of construction.

Commitments shall be valid for twenty-four months. If loans are not funded and construction started within twenty-four months, the commitment may expire.

f. **Tenant Governance and Ownership**

Residents shall have a right to participate directly and meaningfully in decision-making concerning the governance of Small NOAH Program-funded projects.

<u>Resident Engagement and Leadership Plan Requirements</u>

All sponsors are required to provide a Resident Engagement and Leadership Plan that includes the following:

- Meetings to create Community Agreements.
- Monthly gatherings between property management and residents to support community cohesion and raise issues related to the building.
- Quarterly meetings between residents and property management to review operations, management, and adjust Community Agreements.
- Semi-annual meetings between residents and property management to review budgets, financials, and actuals to determine budget priorities.
- Formation of a Resident Council, as defined in Introduction Section 5. In a rental property, the Resident Council must be convened within twelve (12) months after the building is initially leased up and must meet regularly. In an ownership property, the Resident Council, whether organized as 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, must be convened within the timeframe mandated by law or six (6) months, whichever is less; and must meet as frequently as is mandated by law, but no less than quarterly, to maintain oversight over property management, finances, and community cohesion.

- Resident Trainings, which provide continuous opportunities for residents to learn about all aspects of managing a residential or mixed-use building, as applicable. Resident Trainings can be provided by capacity-building networks, including any resident governance capacity-building collaborative established by the City.
- If the property is planned for future conversion from rental to ownership, then financial and design plans for ownership should engage current residents and/or resident representatives such as those on any Resident Council, and such plans should be structured to maximize retention of current residents and their conversion from tenants to owners.
- If the property consists of condominiums, is an LEHC, or includes another form of homeownership, a timeline and process for the establishment and convening of the governing body, as well as the development of policies regarding homebuyer education and access to lending opportunities and down payment assistance, marketing and sales policies that meet Affirmatively Furthering Fair Housing standards, and any applicable Right of Return or Right of First Refusal policies, and establishment of a Resale Formula.

<u>Tenant Governance Experience Requirements</u>

All sponsors are required to provide documentation that the development team has either experience owning and/or operating residential properties under tenant governance, or, Nonprofit partner(s) with experience owning and/or operating residential properties under tenant governance.

Experience with tenant governance is demonstrated by submitting the following:

- Community Agreements that have been created and adopted by residents in at least one property, as well as two or more of the following:
- Resident Council meeting minutes from at least one property; and/or
- Resident Council bylaws adopted by the residents of at least one property; and/or
- CLT ground lease and the bylaws of resident-owned or resident-controlled housing that is the lessee of CLT land, such that, when viewed jointly, the documents demonstrate ongoing relationship between the project sponsor and residents; and/or
- Attestation from residents verifying that the project sponsor has supported a resident-governed property by engaging residents in a collective or representative decision-making process regarding their own rental or ownership housing; and/or

- Demonstrated expertise facilitating community meetings attended by participants with linguistic, cultural, household income and/or other demographic characteristics similar to the anticipated resident population; and/or
- Evidence that current staff have received capacity-building training specific to tenant governance or resident ownership, including, but not limited to, training provided by the ULA-funded Capacity-Building Program.

Developers that do not have capacity themselves to support tenant governance must partner with a locally-based Nonprofit organization that has a demonstrated history of managing residential properties under tenant governance models.

Partnerships may take the form of General Partnerships, Limited Partnerships, Limited Liability Companies, or other Special-Purpose Entities (SPEs) where the experienced Nonprofit has an ownership stake in the SPE, or fee-for-service contractual agreements with a Nonprofit demonstrating experience in tenant governance. Partnership documents must provide an outline of roles and responsibilities between developer and partner organization(s).

g. **Replacement, Relocation, and Right of First Refusal**

Units demolished for redevelopment under this Program shall be replaced at a ratio of one replacement unit for each qualified demolished unit, subject to a Replacement Unit Determination (RUD) by LAHD. Moreover, replacement units must be restricted to an AMI level that matches the affordability of the household that resided in the demolished unit, or to an AMI level that is more deeply affordable. Project sponsors shall submit a Rent/Income Restriction History Assessment, which must provide, to the best of sponsor's ability, a breakdown by income level of any deed-restricted or rent-controlled residential units that will be or were vacated within the last five (5) years, as well as a record of all Lower Income Households that were known to reside in the property within the last five (5) years.

Tenants displaced due to ULA-funded construction must be offered Relocation benefits and Right of First Refusal. Project sponsors shall submit a Relocation Plan, which must include offers of comparable dwellings, as well as a Leasing Preference Policy granting Right of First Refusal to tenants displaced by the project.

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

h. **Accessibility Standards**

Project sponsors must provide a Self-Certification Form for Compliance to Accessibility Standards. City-funded projects must comply with all applicable accessibility standards in effect at the time of the NOFA. These include all applicable statutes, ordinances, regulations, court orders, consent decrees, or other legally enforceable standards that may apply to housing projects.

4.2 Application Requirements

Each year, the Fund Administrator will provide guidance that details the complete application requirements and the amount of funding available. The Fund Administrator will indicate the form of the application, which must be submitted electronically. For an application to be considered complete, all requirements listed in the notice must be provided.

SECTION 5: SELECTION PROCESS AND CRITERIA

This section shall be applicable if the Fund Administrator elects to hold a competitive selection process for project awards. The following section enumerates key City priorities for competitive selection of projects, with key implementation details to be developed by the Fund Administrator.

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

5.1 Evaluation and Scoring Criteria - General

All applications would be scored according to a Scoring Matrix, which would be further described along with a scoring methodology in each announcement of a Funding Availability. The Scoring Matrix shall prioritize tenant organizing history, cost effectiveness, tenant precarity, and projects benefiting vulnerable populations.

Applications with the highest scores will receive funding allocations first, until funds are exhausted.

5.2 Evaluation and Scoring Criteria - Scoring Priorities

Each Funding Availability would include specified scoring criteria that reflect the following priorities:

Priority	**Description**
History of Tenant Organizing	Projects with a history of outreach to the property's tenants, including but not limited to attestation and/or meeting minutes from an organized group of the property's residents, or a letter of support signed by a majority of the building's households.
Cost Effectiveness	Cost effectiveness will be evaluated on a per unit basis, with adjustments for high cost land areas.
Tenant Precarity	Tenant precarity is defined as either properties at imminent risk of Ellis Act evictions, or properties with some combination of the following attributes: ● History of harassment by landlord ● History of 3-day notices ● History of no-fault eviction notices ● At least 10% of households are paying more than 50% of monthly household income in rent ● Households have received a rent increase of greater than ten percent (10%) in the last twelve (12) months ● Property owner is in violation or has more than one (1) complaint within the last twelve (12) months related to City rental housing laws, including on other properties held by the same owner in the City of Los Angeles
Priority Populations	Priority populations are defined as properties where: ● A majority of households in the property include children, seniors, people with disabilities, and/or Limited English Proficient residents. ● A majority of households in the property have a household income at or below 30% AMI.

Preserving Affordability Program Guidelines

SECTION 1: ADMINISTRATIVE OVERVIEW

1.1 Program Administrator

The Acquisition and Rehabilitation of Affordable Housing: Preserving Affordability Program (Preserving Affordability 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. This subprogram would facilitate acquisition of for-profit-owned affordable properties with expiring covenants; or facilitate acquisition of Non-profit-owned affordable properties with expiring covenants, and are being sold or transferred to another Non-profit in order to maintain operations as affordable housing.

LAHD will revise maximum loan limits annually to reflect changes in the economic environment including budget, availability of external funds, legal and regulatory mandates, interest rates, commodity and land prices, and inflation. Prior to issuing NOFAs, LAHD will provide an update to the ULA Citizens Oversight Committee (COC) and City Council pertaining to maximum loan limits.

1.2 Notice of Funding Availability (NOFA) Schedule

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

SECTION 2: GENERAL PROVISIONS

The following section provides a summary of general Program requirements and provisions.

2.1 Eligible Applicants

Eligible Project Sponsors are public entities, local housing authorities, Community Land Trusts (CLTs), Limited Equity Housing Cooperatives (LEHCs), and 501(c)(3) non-profit entities. Partnerships such as General Partnerships, Limited Partnerships, and Limited Liability Companies (LLCs) may apply provided that the Managing General Partner is an eligible entity.

<u>Affordable Housing Experience</u>

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

2.2 Eligible Projects

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

<u>Eligible Project Types:</u>
The project must be an existing residential building that is subject to a regulatory agreement that restricts some or all of its units with respect to household incomes and/or rents. In addition, the building must have an existing regulatory agreement that will expire within ten (10) years from the time of the application for funding.

<u>Project Size:</u>

- The Preserving Affordability Program has no maximum or minimum project size with respect to unit counts.

<u>Affordability Requirements and Rent Schedules:</u>

- Upon completion of preservation activities, all units must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below. Existing tenants should not be displaced if their incomes exceed 80% AMI or any lower income limits adopted for their unit. Unit affordability targets should be achieved over time through natural turnover.
- All deed restricted affordable units must be affordable in perpetuity, as defined in *Section 2.5*.
- If the property is already occupied, a majority of the property's units (50% or more) must be occupied by households earning 80% AMI or below at the time of application.
- LAHD will apply HUD/LIHTC income targeting and rent schedules, with the exception of when the project or units in the projects are subject to regulatory agreements that require Health and Safety Code income targeting and/or rent schedules.

<u>Labor Compliance:</u>

- Must pay prevailing wage.
- If there will be major construction or rehabilitation on projects with 40 units or more, the project must comply with 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.

<u>Outside Leveraging:</u>

Leveraging of non-ULA funding sources is only permissible if such additional funding does not preclude future conversion of the property to tenant ownership, permanent affordability, or any other requirements in the ULA measure and ordinance.

2.3 Eligible Activities

Eligible activities include financial assistance, including, but not limited to, Service Payback Loans with a maximum 30-year term, and/or making subordinate, fully-amortizing, and/or residual receipts loans to projects that provide affordable rental or homeownership housing, supportive housing, and/or mixed-income housing.

Eligible project costs include:

- Acquisition costs during predevelopment;
- Predevelopment costs, including but not limited to, costs for architectural plans and renderings, Environmental Review and Historic Preservation; and Phase I Environmental Assessment Report, Phase II Environmental Assessment Report (if required), and Lead/Asbestos Reports as defined in the Department's Affordable Housing Managed Pipeline Program Requirements (Sept. 2022);
- Construction and financing costs, including but not limited to, demolition, off-site public improvements, construction bonds, general contractor and subcontractor payments including overhead, profit, and general conditions;
- Soft costs related to the construction, development, and/or rehabilitation of the project, including but not limited to, conventional financing, design, program, financing, entitlement processing, developer fees, legal fees, and professional fees;
- Replacement reserves; and
- Reasonable reserves for operating costs, for projects requiring short-term capitalized operating assistance, that are still able to demonstrate long-term financial viability without operating assistance other than from Section 8 or similar long-term rental housing vouchers.

2.4 Ineligible Activities

Funds awarded under the Preserving Affordability Program shall not be used for the following expenses or activities:

- Substitution for any committed permanent project financing source, unless the substitution was approved at the time of commitment.
- Costs associated with units not funded by the City of Los Angeles.
- Reimbursement for project costs that have been paid by another permanent project funding source unless the reimbursement was approved at the time of commitment.
- Travel expenses, food, or meals.
- Application fees for other project financing.
- Office or general organizational expenses.
- The payment of delinquent taxes, fees, or charges on properties, unless payment is part of the acquisition (e.g., Chapter 8 purchases).

2.5 Loan / Financial Assistance Terms and Limits

Loan Limits: At least once per year, loan limits will be established according to the following process:

1. LAHD will determine the average Total Development Costs (TDC) by unit typology in the previous fiscal year. LAHD will use comparable benchmark projects funded by ULA or other City sources to determine average costs.
   - Average per unit costs will be adjusted by an inflation factor.
2. LAHD will determine the average per unit supportable debt by income level and at prevailing interest rates.
3. LAHD will set loan limits for each AMI category based on the gap between the per unit cost, per unit soft sources, and per unit supportable debt at each AMI category.

LAHD may update loan limits more frequently if necessary to account for changes in economic conditions.

Loan Type: Construction (including reimbursement of acquisition and predevelopment costs), and permanent loans. Permanent loans may allow for transfer of ownership to a legal entity owned and/or controlled by residents.

Interest Rate: The interest rate for fully amortizing loans is three percent (3%) simple interest, and LAHD may determine a lower interest rate of no less than 1% if it is found to be necessary for project feasibility. In the case of Service Payback Loan or other forgivable loan product, the interest rate may be 0%

Calculation of Interest: Simple interest will be calculated on the loan amount outstanding and based upon a 365-day year, and actual number of days elapsed.

Term of Permanent Loan: The loan term shall be no less than 60 years if fully amortizing, or a maximum of 30 years in the case of a Service Payback Loan or other forgivable loan product.

Term of Affordability Covenant: The term of the affordability restrictions shall be in perpetuity. LAHD will have flexibility in structuring its funds to ensure affordability in perpetuity, particularly if aligning with other leveraged sources is necessary for feasibility.

Developer Fee: The allowable Developer Fee(s) will be established by LAHD for each NOFA, and shall be consistent with the most recent TCAC regulations in effect. LAHD will update developer fee limits as needed to remain consistent with TCAC limits.

These loan and financial assistance terms may be adjusted in the future, in consultation with the Citizens Oversight Committee, based on additional research and policy considerations regarding social housing strategies.

2.6 Sponsor and Project Underwriting Standards

Applications shall be reviewed in accordance with LAHD Sponsor Underwriting Guidelines and Project Underwriting Guidelines.

Underwriting Guidelines are available to the public, revised regularly to reflect the most up-to-date LAHD staff analysis of financial stress and risk tolerances.

For Sponsor Underwriting Guidelines, the analysis is based on:

- Portfolio size and health, including deferred maintenance needs, lease-up rates, amount of reserves, cash flow, and debt coverage ratios;
- Development record, including number of projects completed or in development, and projects meeting development milestones on time and on budget; and
- Organization health, including reviews of three (3) most recent years of Audited Financial Statements (AFSs), and tests of assets, revenues, expenses, cash flow, debt, and liabilities, and organizational budgets, financial projections, staffing plans and board participation records.

Project Sponsors that lack significant experience or capacity are required to partner with an experienced entity that satisfies Sponsor Underwriting standards, and that can demonstrate that the organization brings adequate financial and staff capacity to guarantee successful development and operations of the project, including by showing that the partner organization has sufficient experience in property management and project development that would meet the standards set in the Sponsor Underwriting Guidelines.

For Project Underwriting Guidelines, the analysis is based on review 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.

Project Underwriting Guidelines may include parameters for:

- Reasonable costs;
- Income and expense escalators;
- Bonding, insurance, and other liability coverage requirements;
- Operating and replacement reserve ratios;
- Lien priority;
- Taxes and fees;
- Hard and soft cost contingencies;
- Debt service;
- Vacancy rates;
- Relationship of proposed rents to neighborhood market rents; and
- Proposed project timeline for development and lease up.

2.7 Loan Management and Occupancy Monitoring

a. Loan Management

Sponsors of awarded projects are required to:

- Submit Audited Financial Statements (AFSs) annually and effectuate loan payments by the date indicated on the loan agreement.
- Complete a Calculation of Residual Receipts Form using information from the AFS for each project. LAHD may make technical adjustments to the calculation before issuing a final invoice for any underpayments, or providing a credit for overpayments.
- Maintain adequate operating and replacement reserves, and obtain pre-approvals from LAHD prior to withdrawals from these funds.
- Submit Real Estate Owned Schedule annually showing projected and actual operating costs and income for each project.

b. Occupancy Monitoring

Once a year, project owners must submit documentation that demonstrates that tenants who occupy restricted units are income-eligible and that the rents they pay are within the allowable program limits. Affirmative marketing practices aim to further the goals of the ULA measure and ordinance, which include improving access to permanent affordable housing for vulnerable populations. Affirmative marketing practices shall require that project owners market to non-English speakers. The project owner will also agree to provide regular reporting on demographic information related to tenants, consistent with ULA-required tracking and reporting on tenants housed using Program funds.

c. Default

The loan agreement will specify the events that may cause LAHD to declare the borrower in default. These events include, but are not limited to:

- Failure to purchase the subject property;
- Failure to construct/rehabilitate the proposed project within the time agreed;
- Breach of rental/ownership covenants;
- Failure to maintain the property in good condition;
- Failure to make agreed-upon loan repayments;
- Failure to receive an LAHD approval prior to any change in ownership entity;
- Breach of affirmative action, equal opportunity, contractor responsibility, equal benefits or MBE/WBE requirements;
- Failure to submit annual financial statements certified by a certified public accountant;
- Failure to comply with Measure ULA Project Labor Agreement requirements and/or prevailing wage, as applicable;
- Failure to meet accessibility construction standards, and/or failure to comply with all applicable accessibility standards, including but not limited to: Section 504 of the Rehabilitation Act of 1973 as amended, Title VIII of the Civil Rights Act of 1964 as amended in 1988 by the Fair Housing Amendments Act, and the Americans with Disabilities Act Title II, the State of California's Unruh Act, Department of Fair Employment and Housing (DFEH) Regulations and California Government Code Section 11135 et. seq.;
- Failure to maintain appropriate insurance coverage without LAHD approval;
- Commencing construction (including demolition) without LAHD authorization;
- Failure to abide by development and/or construction schedules;
- Failure to maintain the project "in balance" during construction;
- Failure to pay property taxes that are associated with the project;
- Bankruptcy;
- Dissolution or insolvency of the ownership entity; and
- Uncured event of default under any other loan agreements from federal, state or county or private lenders.

2.8 Event of Conflict

Projects must comply with all covenants and loan agreements. Where there are discrepancies between these Preserving Affordability Program Guidelines and other funding requirements, the most restrictive will prevail.

SECTION 3: FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

Based on these Preserving Affordability Program Guidelines, LAHD will periodically release NOFAs to announce the opening of applications and to effectuate the awarding of funds. The terms and requirements of these Preserving Affordability Program Guidelines shall be applicable to each NOFA, and a NOFA may incorporate additional supplementary terms and details that further clarify LAHD policy and objectives.

3.1 Notice of Funding Availability (NOFA) Development Process and Publication

Subject to funding availability, LAHD shall issue one Preserving Affordability Program NOFA per year. The timing of each NOFA shall be announced at least three (3) months in advance, and applicants shall have at least 30 days from the release of a NOFA to submit proposals. The timing of the NOFA shall consider the timing needs of potential Preserving Affordability projects that have been pre-identified as part of the three (3) year budgeting process, described in *Introduction Section 1(b)* of these Guidelines, including those projects that plan to exercise a Right of First Refusal.

Each NOFA shall provide specific maximum loan limits both at the project level and on a per unit basis, which may or may not vary depending on unit type and depth of affordability. Loan limits will be determined as a function of estimated development costs, expected non-ULA leveraged funds, and LAHD goals with respect to unit typology and affordability mix, as described in *Section 2.5*.

Moreover, each NOFA shall define “at-risk” properties eligible for Program funding:

- Covenant expiry: To be eligible for this Program, projects must have existing affordability covenants that are due to expire within ten (10) years of application submission. LAHD may define a more restrictive timeframe for expiration of affordability restrictions.
- Project financial distress: LAHD may establish standards for financial stress testing.

At least three (3) business days before the application window opens, LAHD shall hold a Bidders’ Conference to provide a high-level overview of the NOFA and respond to sponsor questions.

3.2 Application Submittal and Review

Each 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, applications that pass threshold review will be divided into two priority pools and ranked by score within each pool.

More detailed information about this is provided in *Section 4: Threshold Requirements* and *Section 5: Selection Process and Criteria*.

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

3.3 Appeal Process

LAHD funding recommendations can be appealed by the applicant. Each NOFA will provide detailed guidance delineating acceptable grounds for appeal and the process for filing an appeal. Applicants shall not file an appeal regarding LAHD staff evaluation of another applicant's application.

3.4 Council Approval Process

Consistent with Los Angeles Administrative Code Section 22.618.3(d)(iv), LAHD shall present the Preserving Affordability 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

The following section enumerates the elements of a complete Preserving Affordability Program application and describes the documentation requirements associated with each element. All applicants must demonstrate reasonableness of funding request and project feasibility. Applications will first undergo Threshold Review to ensure that all required elements have been met.

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

4.1 Summary of Threshold Items

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

a. Financial Feasibility

Financial feasibility is a threshold requirement. To demonstrate financial feasibility, applicants must submit a complete pro forma financial analysis using a template workbook that has been approved by LAHD and complies with LAHD Project Underwriting Guidelines, which shall be updated periodically and publicly available.

b. Capital Needs Assessment (CNA) and Scope of Work (SOW)

Project sponsors are required to submit a Capital Needs Assessment (CNA) identifying all current and anticipated capital and/or maintenance needs within the next five (5) years, and a proposed Scope of Work (SOW) detailing maintenance, repairs, and rehabilitation, and capital improvements to be undertaken. Projects are required to complete, at minimum, the items indicated within the SOW and as supported by the CNA.

If a Capital Improvement Plan is part of the SOW, that must be included in the application.

c. Proof of Financial Stress

Project Sponsors are required to demonstrate that the property is at risk of losing its affordability due to expiring covenants.

For any eligible project additionally claiming to be under significant financial distress, Audited Financial Statements (AFSs) must be provided as part of the application in order to demonstrate eligibility. LAHD will establish standards for financial stress tests within each Preserving Affordability Program NOFA.

d. Expiring Covenants

Project sponsors are required to demonstrate that the property is at risk of losing its affordability due to expiring covenants.

A copy of the property's affordability covenant is a threshold item required to demonstrate eligibility. LAHD will establish a timeframe for covenant expiration within each NOFA, but shall be no less than ten (10) years of the project onset.

e. Project Labor Agreement (PLA)

For projects with 40 units or more, the project sponsor must submit a Letter of Assent attesting that it will comply with all the terms and conditions of the City of Los Angeles Board 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.

For more information, refer to *Los Angeles Administrative Code* Section 22.618.7.

f. Replacement, Relocation, and Right of First Refusal

Units demolished for redevelopment under this Program shall be replaced at a ratio of one replacement unit for each qualified demolished unit, subject to a Replacement Unit Determination (RUD) by LAHD. Moreover, replacement units must be restricted to an AMI level that matches the affordability of the household that resided in the demolished unit, or to an AMI level that is more deeply affordable. Project sponsors shall submit a Rent/Income Restriction History Assessment, which must provide, to the best of sponsor's ability, a breakdown by income level of any deed-restricted or rent-controlled residential units that will be or were vacated within the last five (5) years, as well as a record of all Lower Income Households that were known to reside in the property within the last five (5) years.

Tenants displaced due to ULA-funded construction must be offered Relocation benefits and Right of First Refusal. Project sponsors shall submit a Relocation Plan, which must include offers of comparable dwellings, as well as a Leasing Preference Policy granting Right of First Refusal to tenants displaced by the project.

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

g. Project Sponsor Experience

Project sponsors must submit a Schedule of Projects demonstrating at least three (3) completed projects within the last ten (10) years with: a) Building Typology comparable to the proposed project; b) financing and affordability restrictions comparable or more complex than the proposed project; and c) Property Management Experience demonstrating positive cash flow, updated building repairs, and compliance with financial and affordability audits. The organization may use the experience of its principal to satisfy this requirement. In addition, sponsor experience will be evaluated based on LAHD Sponsor Underwriting Guidelines.

Eligible applicants without a history of affordable housing experience may satisfy this threshold requirement by partnering with an experienced nonprofit or show adequate staff capacity to develop and operate the project.

h. Racial Equity Commitment

Project Sponsors must demonstrate a commitment to advancing racial equity and reducing racial disparities in housing outcomes, as evidenced by:

- A profile describing the organization's mission, length of existence, staff experience, characteristics of its Board of Directors, and its commitment affordable housing and advancing racial equity;
- A narrative analysis of racial disparities in housing outcomes in the organization's geographic coverage area, e.g., income by race, housing cost burden by race, history of displacement of residents of color; and
- A description of actions the organization is already taking or will take to reduce racial disparities in housing outcomes (e.g., tracking the race and ethnicity or residents served by the organization, engaging with residents to inform the organization's work, marketing projects to different racial and ethnic groups, and using a tenant or homebuyer selection process that does not advantage certain groups and actively mitigates potential inadvertent racial bias).

i. Timeliness Requirement

Timely production of affordable housing is a core objective of the Preserving Affordability Program, and project sponsors are required to provide a Milestones Commitment Letter as part of threshold review. The Milestones Commitment Letter must outline key pre-development and construction/rehabilitation activities and timelines for completion thereof, including expected submission of building permits and start of construction/rehabilitation.

LAHD reserves the right to rescind funding commitments to projects that are awarded, but subsequently fail to reach milestones.

j. Site Control

Project Sponsors must demonstrate site control and clean title.

Site control may be evidenced by any of the following:

- Fee title as demonstrated by a current title report;
- Long-term leasehold interest (minimum term must equal term of LAHD regulatory agreement);
- Option to purchase or lease (obtaining financing shall be the sole impediment to exercising the option);
- Executed land sale contract or other enforceable agreement for acquisition of the property;
- Executed Disposition and Development Agreement (DDA) with a public agency; or
- Option to lease or an alternative document that meets LAHD requirements.

Regardless of the type of site control documents provided, Project Sponsors shall submit with the application a copy of a Preliminary Title Report prepared within the 90 days preceding application submission.

Where properties are subject to Right of First Refusal under State Preservation Notice Law pursuant to Government Code Section 65863.11, site control can be presumed for entities qualifying for a Right of First Refusal to purchase the property.

k. Tenant Governance and Ownership

Residents shall have a right to participate directly and meaningfully in decision-making concerning the operation and management of Preserving Affordability Program-funded projects.

<u>Resident Engagement and Leadership Plan Requirements</u>

All sponsors are required to provide a Resident Engagement and Leadership Plan that includes the following:

- Meetings to create Community Agreements.
- Monthly gatherings between property management and residents to support community cohesion and raise issues related to the building.

- Quarterly meetings between residents and property management to review operations, management, and adjust Community Agreements.
- Semi-annual meetings between residents and property management to review budgets, financials, and actuals to determine budget priorities.
- Formation of a Resident Council, as defined in Introduction Section 5. In a rental property, the Resident Council must be convened within twelve (12) months after the building is initially leased up and must meet regularly. In an ownership property, the Resident Council, whether organized as 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, must be convened within the timeframe mandated by law or six (6) months, whichever is less; and must meet as frequently as is mandated by law, but no less than quarterly, to maintain oversight over property management, finances, and community cohesion.
- Resident Trainings, which provide continuous opportunities for residents to learn about all aspects of managing a residential or mixed-use building, as applicable. Resident Trainings can be provided by capacity-building networks, including any resident governance capacity-building collaborative established by the City.
- If the property is planned for future conversion from rental to ownership, then financial and design plans for ownership should engage current residents and/or resident representatives such as those on any Resident Council, and such plans should be structured to maximize retention of current residents and their conversion from tenants to owners.
- If the property consists of condominiums, is an LEHC, or includes another form of homeownership, a timeline and process for the establishment and convening of the governing body, as well as the development of policies regarding homebuyer education and access to lending opportunities and down payment assistance, marketing and sales policies that meet Affirmatively Furthering Fair Housing standards, and any applicable Right of Return or Right of First Refusal policies, and establishment of a Resale Formula.

<u>Tenant Governance Experience Requirements</u>

All sponsors are required to provide documentation that the development team has either experience owning and/or operating residential properties under tenant governance, or, Nonprofit partner(s) with experience owning and/or operating residential properties under tenant governance.

Experience with tenant governance is demonstrated by submitting the following:

- Community Agreements that have been created and adopted by residents in at least one property, as well as two or more of the following:
- Resident Council meeting minutes from at least one property; and/or

- Resident Council bylaws adopted by the residents of at least one property; and/or
- CLT ground lease and the bylaws of resident-owned or resident-controlled housing that is the lessee of CLT land, such that, when viewed jointly, the documents demonstrate ongoing relationship between the project sponsor and residents; and/or
- Attestation from residents verifying that the project sponsor has supported a resident-governed property by engaging residents in a collective or representative decision-making process regarding their own rental or ownership housing; and/or
- Demonstrated expertise facilitating community meetings attended by participants with linguistic, cultural, household income and/or other demographic characteristics similar to the anticipated resident population; and/or
- Evidence that current staff have received capacity-building training specific to tenant governance or resident ownership, including, but not limited to, training provided by the ULA-funded Capacity-Building Program.

Developers that do not have capacity themselves to support tenant governance must partner with a locally-based Nonprofit organization that has a demonstrated history of managing residential properties under tenant governance models.

Partnerships may take the form of General Partnerships, Limited Partnerships, Limited Liability Companies, or other Special-Purpose Entities (SPEs) where the experienced nonprofit has an ownership stake in the SPE, or fee-for-service contractual agreements with a nonprofit demonstrating experience in tenant governance. Partnership documents must provide an outline of roles and responsibilities between developer and partner organization(s).

I. Accessibility Standards

Project sponsors must provide a Self-Certification Form for Compliance to Accessibility Standards. City-funded projects must comply with all applicable accessibility standards in effect at the time of the NOFA. These include all applicable statutes, ordinances, regulations, court orders, consent decrees, or other legally enforceable standards that may apply to housing projects.

4.2 Application Requirements

Subject to funding availability, LAHD will issue one NOFA every year detailing the complete application requirements and the potential 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 provided.

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

SECTION 5: SELECTION PROCESS AND CRITERIA

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

5.1 Evaluation and Scoring Criteria - General

All applications will be scored according to a Scoring Matrix, which will be an element of each Preserving Affordability NOFA released by LAHD. The Scoring Matrix shall prioritize, among other elements, cost effectiveness, unit typologies that align with City goals, as those criteria are further described in *Section 5.2*.

After applications are scored, LAHD will recommend funding allocations to projects in order of highest to lowest score until available funds are exhausted

In the event that two or more projects receive the same score, they will be prioritized based on a tiebreaker score, to be defined in each NOFA.

5.2 Evaluation and Scoring Criteria - Scoring Priorities

NOFAs will include specified scoring criteria that will reflect the following priorities.

Priority	Description
History of Tenant Organizing	Projects with a history of outreach to the property's tenants, including but not limited to attestation and/or meeting minutes from an organized group of the property's residents, or a letter of support signed by a majority of the building's households.
Cost Effectiveness	Cost effectiveness will be evaluated on a per unit basis, with adjustments to reflect the differential between covenanted rents and submarket rents.
Risk of Affordability Loss	• Priority would be for covenants with more imminent expiry. • Priority would be projects that have issued a three (3) year notice under State Preservation Notice law pursuant to section 65863.10 of the California Government Code. • Priority would be projects where the current owner has demonstrated intent to not extend covenants and move the building to market rate. This can be shown through public statements or declarations from existing residents of their understanding of the owner's plans
Risk of Financial Insolvency	Priority would be projects at greater risk of financial insolvency.
Priority Populations	Projects that set aside a certain percentage of units for special needs populations (the special needs units can count towards the 20% ALI/ELI set aside requirement).
California Department of Housing and Community Development (HCD)/TCAC Opportunity Mapping	The HCD/TCAC Opportunity Map index ranks census tracts based on socioeconomic indicators. Prioritization will be awarded to projects located in High or Highest Resource Areas.