ULA ALTERNATIVE MODELS
FOR PERMANENT AFFORDABLE HOUSING
PROGRAM GUIDELINES

Draft for Consideration by the United to House LA Citizens Oversight Committee
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DRAFT

TABLE OF CONTENTS

INTRODUCTION

1. Program Summary

a. Program Goals

Measure ULA's Alternative Models for Permanent Affordable Housing Program (Alternative Models) seeks to provide innovative financing and tenant-driven governance in permanent (i.e., not interim) affordable housing developments, and allows for a range of uses of funds.

The ULA measure and ordinance does not prohibit the Alternative Models Program from leveraging ULA funds with other funds, nor does it require it. The Alternative Models Program is intended to fund projects with innovative financing and ownership models.

As provided by the ULA measure and ordinance, Alternative Models funding may be used for the new construction of affordable and/or supportive housing projects with at least 40 units, as well as acquisition, rehabilitation, adaptive reuse, leasing, preservation, and operation of affordable and/or supportive or mixed rental/ownership projects of any size. The Alternative Models Program requires that properties be owned and/or managed by public entities, housing authorities, Community Land Trusts, Limited Equity Housing Cooperatives, or other Nonprofits. The Alternative Models Program allows projects to serve a mix of income levels and requires that residents have the right to participate meaningfully in the governance of the project.

Taken as a whole, this combination of novel program features is designed to seed a social housing model that will become a major component of the City's future housing stock. Toward that end, and in light of evolving financing, ownership and management frameworks, the Alternative Models Program will initially pilot and evaluate best and innovative practices as it matures. Key elements of social housing will be required of all projects financed by the Alternative Models Program, including:

- Permanent affordability;
- Ownership by Nonprofits or public agencies; and
- Meaningful resident participation in decision-making and governance of the properties.
- Additionally, opportunities for resident ownership are encouraged where feasible and desirable.

Permanent affordability is an integral element of the social housing model. In order to avoid the uncertainties that time-limited covenants can create for owners and tenants, the Alternative Models Program was created to add permanently affordable housing into the City's housing stock, generating homes that will remain affordable for generations. As such, the term of the affordability restrictions in project regulatory agreements will be in perpetuity. LAHD will have flexibility in structuring its funds to align with other leverage sources as needed to maintain feasibility.

For the greatest impact, the Alternative Models Program will initially focus on the City's most pressing affordable housing needs. As such, the Guidelines are designed to focus program funding on new construction of affordable and/or supportive housing units, and the preservation of substantially at-risk affordable housing.

As further described below, and unless the City Council approves with the advice of the Citizens Oversight Committee (COC) a finding that a different allocation is needed, program funds shall be apportioned for the first three fiscal years as follows:

- **Fiscal Year 2024-2025:** No more than 40% apportioned to the Preservation Program and at least 60% to the New Construction Program.
- **Fiscal Year 2025-2026:** No more than 30% apportioned to the Preservation Program and at least 70% to the New Construction Program.
- **Fiscal Year 2026-2027:** No more than 15% apportioned to the Preservation Program least 85% apportioned to the New Construction Program.

Additionally, these Guidelines also contemplate the development of new housing finance models that are intended to meet the evolving needs, and grow the capacity of, social housing lenders and Project Sponsors.

b. Statutory Requirements

Following is a summary of universal ULA Requirements for 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 using the Alternative Models Program, as described below.
- 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 is 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) is required for construction and rehabilitation of 40 or more units.

Additionally, the below requirements shall be applicable to all activities under the Alternative Models for Permanent Affordable Housing Program:

- Projects may include a mix of lower income household income types, but must reserve a minimum of 20% of the units for Acutely Low Income (ALI) and/or Extremely Low Income (ELI) households.
- Up to 20% of units may be unrestricted in terms of rents and household incomes, only for the purpose of increasing the financial stability of Acutely Low Income, Extremely Low Income, and Very Low Income Household units in the project.
- Where feasible and desirable, projects shall use public land.
- Housing units must be acquired and managed by a public entity, a local housing authority, a CLT, an LEHC, or a 501(c)(3) non-profit entity.
- Residents shall have a right to participate meaningfully in the decision-making and governance of the project.
- Projects shall include resident ownership, where feasible and desirable.

c. Program Areas

The Alternative Models for Permanent Affordable Housing Program includes two key Program Areas. This document contains guidelines for each of the two Program Areas:

1. **New Construction Program:** New construction of affordable and supportive housing, including adaptive reuse. This subprogram is competitively scored and LAHD will issue multiple Notices of Funding Availability (NOFAs) per year.
2. **Preservation Program:** Recapitalization, acquisition or rehabilitation of at-risk affordable housing, including projects with expiring covenants and projects at risk of financial insolvency. This subprogram is competitively scored and LAHD will issue one Notice of Funding Availabilities (NOFA) per year.

To foster the new kinds of Project Sponsors envisioned by this program and catalyze the development of public land, LAHD shall promulgate, with the advice of the Citizen Oversight Committee (COC) and approval of the City Council and Mayor, additional guidelines that would govern the implementation of a **Social Housing Predevelopment Loan Program** to make loans for site acquisition and/or some portion of predevelopment costs prior to construction start and prior to the project securing all other funding sources. Such a program could be paired with the disposition of City-owned land, and thereby streamline projects by providing simultaneous awards of both a project's land and financing.

Each fiscal year, with recommendations from the COC and LAHD, the City Council and Mayor will approve and apportion Alternative Models for Permanent Affordable Housing expenditures between the New Construction Program and the Preservation Program. Each year, the Los Angeles Housing Department and the COC will present a summary of housing needs and production results to the City Council and Mayor. LAHD will supplement this annual report with a summary of available 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. Wherever program guidelines create more than one funding model, the allocation of resources between models will be based on these analyses.

In the immediate term, program funds shall be apportioned as follows:

- **Fiscal Year 2024-2025:** No more than 40% apportioned to the Preservation Program and at least 60% to the New Construction Program.
- **Fiscal Year 2025-2026:** No more than 30% apportioned to the Preservation Program and at least 70% to the New Construction Program.

Beginning in Fiscal Year 2026-2027, and in each fiscal year thereafter, no more than 15% of the Alternative Models for Permanent Affordable Housing funds shall be apportioned to the Preservation Program for a fiscal year, unless the City Council, with recommendation by the ULA COC and LAHD, approves a finding, based on a needs assessment, that different apportionment is necessary to meet needs.

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.

Since the Tax Reform Act of 1986, the Low Income Housing Tax Credit ("LIHTC") program has formed the foundational financing of most affordable housing production. While the LIHTC program has led to the creation of several million affordable housing units across the country, there is a need for alternative models of affordable housing that cannot be easily met through the existing LIHTC program. The reliance of the LIHTC program on tax-incentivized investors makes it difficult to use affordability terms longer than 55 years, and to develop resident leadership in the production, management and ownership of such housing, impairing the relevance of community aspiration and resident governance in their home and neighborhood.

Recognizing the limitations of the LIHTC system, ULA provides funding for several affordable housing production paradigms. Among these, nearly a quarter (a minimum of 22.5% and up to 25%) of the House LA Programs Fund is intended to support the Alternative Models for Permanent Affordable Housing Program. The Program is envisioned as a vehicle to build beyond the tools of traditional models of housing finance and development — such as LIHTC — and create a new model that prioritizes speed, flexibility, longevity of investment, and an enhanced role for tenants in their housing. The Alternative Models program may fund a range of project types with a variety of leveraging strategies. Among the range of housing options that could be supported by the Program include social housing and community ownership strategies.

3. Commitment to Racial Equity

Existing data and scholarship confirm that Black, Latinx, and other communities of color are disproportionately affected by homelessness, housing insecurity, and lack of affordable housing options. These Alternative Models for Permanent 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.

The implementation of the Alternative Models for Permanent Affordable Housing Program has a primary goal of adhering to principles of racial equity, with a focus on addressing affordable housing needs by producing new units, acquiring and rehabilitating existing units, and cultivating residential leadership within housing projects to provide long-term, stable affordable housing for the City's most vulnerable communities.

Consistent with this commitment to promote racial equity, the Alternative Models for Permanent 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 Alternative Models for Permanent 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, by promoting permanent affordability and resident engagement and ownership in their housing.

4. Program Metrics

The Los Angeles Housing Department (LAHD) 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 Alternative Models for Permanent Affordable Housing Program. To the extent feasible, this information includes but is not limited to, the number of units produced, 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**
Produce new affordable housing units, in alignment with ULA goals and priorities.	● Number of units produced by income category. ● Number of units produced in High or Highest Resource Areas. ● Number of units produced in Racially/Ethnically Concentrated Areas of Poverty (R/ECAP). ● Number of units produced in Racially Concentrated Areas of Affluence (RCAA). ● Number of units produced on public land. ● Number of units produced near public transit. ● Number of units produced on land owned by faith-based institutions that have achieved permanent affordability and land is provided below market and/or receive streamlining benefits.
Create high quality affordable housing opportunities for people, in alignment with ULA goals and priorities.	● Number of people housed in Alternative Models New Construction Program units, to be disaggregated by the ULA measure and ordinance reporting requirements.
Preserve housing affordability for tenants, in alignment with ULA goals and priorities.	● Number of units preserved, by income category. ● Number units preserved in High or Highest Resource Areas. ● Number of units preserved in racially/ethnically-concentrated areas of poverty (R/ECAP). ● Number of units preserved in racially concentrated areas of affluence (RCAA). ● Number of units preserved on public land. ● Number of units preserved on land stewarded by a community land trust. ● Number of units preserved near public transit. ● Number of units preserved on land owned by faith-based institutions.

Preserve affordability for tenants, in alignment with ULA goals and priorities.	● Number of people housed in Alternative Models Preservation Program units, to be disaggregated by the ULA measure and ordinance reporting requirements.
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. ● Number and percentage of Apprentice hours worked on development projects ● Number and percentage of Targeted Local Hire hours worked on development projects. ● Wages Reinvested ○ Wages Reinvested by ZIP Code. ○ Wages Reinvested by Council District. ○ Wages Reinvested by R/ECAP. ○ Wages Reinvested by RCCA.
Establish resident governance	● Number of projects/units with resident governance ● Number and type of resident engagement and training activities, disaggregated by housing tenure, and listed by project
Cultivate resident governance and/or ownership of housing.	● Number of projects/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 Preservation, disaggregate average cost to buy back affordability per unit per year ○ For Preservation, disaggregate average cost per unit for rehabilitation ● Number of Months Elapsed from First Predevelopment Activity to Placed-In-Service

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") prior to 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 projected and actual operating costs and revenues for all properties listed.

"Replacement Unit Determination" shall mean an analysis specifying the count of qualified demolished units i) subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower or very low income, ii) subject to any form of rent or price control through a public entity's valid exercise of its police power within the five (5) past years, iii) rented by lower or very low income households, or iv) that were withdrawn from rent or lease per the Ellis Act, within the past ten (10) years, and the Area Median Income ("AMI") restriction that must be recorded consistent with the income level of the most recent qualified household that resided in a demolished unit. It is also abbreviated as "RUD."

"Resale 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.

New Construction Program Guidelines

SECTION 1: ADMINISTRATIVE OVERVIEW

1.1 Program Administrator

The Alternative Models for Permanent Affordable Housing New Construction Program ("New Construction 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 sponsor and project review and underwriting, including scoring and awarding of applications.

LAHD will revise maximum loan limits annually to reflect changes in the economic environment including but not limited to 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 Citizen Oversight Committee (COC) and City Council pertaining to the maximum loan limits.

1.2 Notice of Funding Availability (NOFA) Schedule

Subject to funding availability, LAHD will offer two NOFAs for the Alternative Models for Permanent Affordable Housing New Construction 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 how the Program will be operated and general Program requirements.

2.1 Eligible Applicants

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

Affordable Housing Experience

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

Tenant Governance Experience

Development teams must also demonstrate experience supporting tenant governance models. 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 or 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).

2.2 Eligible Projects

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

Project Type:

- The project must be one of two project types:
  - New Construction of multifamily rental or ownership housing; or
  - Adaptive Reuse of existing nonresidential structures, such as commercial buildings or hotels/motels, to multifamily rental or ownership housing.

Project Size:

- If new construction, the project must include 40 or more units.
- If adaptive reuse of existing structures, the project has no minimum unit count.

Affordability Requirements and Rent Schedules:

- A minimum of 20% of the total project units must be restricted to Acutely Low Income (ALI) and/or Extremely Low Income (ELI) Households.

- Up to 20% of the total project units may be unrestricted with respect to rents and household incomes if necessary to make the project financially feasible in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4), but all other units must be restricted to be affordable to Lower Income Households.
- LAHD will specify applicable income targeting and rent schedules in each NOFA.
- All deed restricted affordable units must be affordable in perpetuity, as defined in *Section 2.5*, with AMI limits set at the project rather than unit level, and with a target average of 60% AMI across each project, subject to City Attorney approval of the regulatory covenant. 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 rent schedules.

<u>Labor Compliance:</u>

- Must pay prevailing wage.
- New construction projects must be 40 units or more and 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 additional public sources is allowed so long as the outside funding sources do not preclude conversion to tenant ownership, permanent affordability, or any other requirements in the ULA measure and ordinance.

2.3 Eligible Activities

Eligible activities include providing financial assistance, and may include making subordinate, long-term, low-interest, fully-amortizing or residual receipts loans to projects that provide affordable rental or homeownership housing, supportive housing, and/or mixed-income housing in accordance with ULA maximum of 20% market rate.

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 and development of the project, including, but not limited to, conventional financing, design, program, financing, and entitlement processing, developer fees, legal fees, and professional fees;
- Costs associated with market-rate units provided only for the purpose increasing project financial stability in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4); 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 except from Section 8 or similar long-term rental housing vouchers.

2.4 Ineligible Activities

Funds awarded under the Alternative Models Production 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 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.
- Costs that would normally be paid by the Limited Partnership or Limited Liability Company.
- The payment of delinquent taxes, fees, or charges on properties.

2.5 Loan / Financial Assistance Terms and Limits

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

1. LAHD will determine the average per unit 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 unit typology and at prevailing interest rates.
3. Assuming up to one (1) additional source of public financing, LAHD will determine the projected gap between the per unit cost, per unit soft sources, and per unit supportable debt, for each unit typology
4. LAHD will set limits on financial assistance for each unit typology to ensure that projects achieve long-term financial stability.
   - Modifiers may be applied to provide an increase to maximum loan limits for units with three (3) or more bedrooms, more deeply affordable units, and/or projects located in high cost and high opportunity areas.

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

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

Interest Rate: The interest rate for all loans is three percent (3%) simple interest. LAHD may determine a lower interest rate of no less than 1% if it is found to be necessary for project feasibility.

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 Loan: The permanent loan term shall be no less than 60 years, and fully amortizing.

Term of Affordability Covenant: The term of the affordability restrictions in the Regulatory Agreement 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 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, and 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 comply with the following:

- Submit Audited Financial Statements (AFSs) annually and effectuate loan payments by the date indicated on the loan agreement.
- As applicable, 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 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 regulator 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 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 and 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;
- Failure to adhere to construction cost limits as stated in Section 3.7 of the AHMP Guidelines; 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 discrepancies exist between these Alternative Models for Permanent Affordable Housing New Construction Program Guidelines and other funding requirements, the most restrictive will prevail, except if the other funding requirement would preclude permanent affordability or conversion to tenant ownership.

SECTION 3: FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

Based on these New Construction 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 New Construction 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 two (2) New Construction Program NOFAs per year. The timing of each NOFA shall be announced at least three (3) months in advance, and applicants shall have at least 45 days from the release of a NOFA to submit proposals.

Each New Construction NOFA shall provide specific maximum loan limits, 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, availability of external public subsidies, and LAHD goals with respect to unit typology and affordability mix, as described in *Section 2.5*.

Each New Construction NOFA shall specify the applicable rent schedule that projects must follow in calculating rental income and for income qualification of potential tenants.

At least five (5) 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 New Construction Program 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 once 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.

LAHD will first recommend funding allocations to the first pool, which is for qualified CLTs and partnerships that include CLT, in order of highest to lowest score. If funding allows, LAHD will then recommend funding allocations to the second pool in order of highest to lowest score.

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

Preliminary recommendations shall be publicized and applicants shall have a window to submit an appeal before LAHD finalizes funding commitments and, as applicable, transmits funding commitment 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)(1)(iv), LAHD shall present the New Construction 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 New Construction 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 summarize 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.

b. 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, please refer to Los Angeles Administrative Code Section 22.618.7.

c. Minimum 40 Unit Requirement for New Construction Projects

The minimum project size for an Alternative Models for Affordable Housing New Construction Program project is 40 units, unless the project is the adaptive reuse of existing structures, in which case the project has no minimum unit count.

d. Minimum Unit Size Requirements

Projects must comply with California Tax Credit Allocation Committee (CTCAC) unit size minimums and also include in the Statement of Public Purpose (see Section 4.1(l)) an explanation of how the project will meet identified unit size needs.

e. 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).

f. 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(s) to satisfy this requirement. In addition, Project 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 and organizational capacity to develop and operate the project.

g. Timeliness Requirement

Timely production of affordable housing is a core objective of the Alternative Models Production 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 activities and timelines for completion thereof, including expected completion of Environmental Site Assessments, submission of building permits and start of construction.

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

h. 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;
- Executed Exclusive Negotiating Agreement (ENA) with the City of Los Angeles; or
- Option to lease or an alternative document that meets CTCAC's site control requirement.

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

i. Tenant Governance and Ownership

Residents shall have a right to participate directly and meaningfully in decision-making concerning the governance of Alternative Models-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.

Tenant Governance Experience Requirements

All Project 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 or 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).

j. 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.

k. Environmental Sustainability

Projects shall comply with all City and state environmental sustainability requirements, including building code decarbonization measures.

l. Statement of Public Purpose

Project Sponsors must submit a brief narrative statement that considers the COC's Housing Needs Assessment and other available neighborhood-specific information on a community's housing challenges. The Statement of Public Purpose shall identify the household income targeting, housing typologies that best fit community needs, and cultural/linguistic competencies necessary for project owners to support residents who will be integrating into a high resource neighborhood, or those who seek stable housing in a neighborhood with high displacement risk.

The Statement of Public Purpose should address, but not be limited to, the following:

- Alignment with ULA Purpose and Goals: Describe 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 the ULA measure and ordinance as defined in the Measure's Section 22.618.1: Purpose.
- Community Outreach and Engagement: Describe community engagement to date, including, but not limited to, any partnership(s) with community organization(s) that are led by and/or represent populations anticipated to be served by the project, and identification of languages that will be used in future outreach/engagement.
- Tenant Governance and/or Ownership: Explain proposed tenure option(s) based on input from community partner(s) and/or community members, as well as financial analysis of feasibility.
- Affordability Levels: Explain proposed affordability levels based on input from community partners(s) and/or community members, as well as available data that evaluates affordability needs at the neighborhood level.

- Unit Size: Explain proposed unit sizes based on input from community partner(s) and/or community members, as well as available data that evaluates unit size needs at the neighborhood level.

m. Enhanced Environmental Health Commitment

For project sites located within areas with a CalEnviroScreen 4.0 Overall Score in the 80th percentile or higher (or any equivalent score in any successor version of this screening tool), the project sponsor shall include a narrative describing how the project will meet the following requirements:

- Community Engagement Requirement: As part of the site's Phase I Environmental Site Assessment (ESA), the project sponsor will be required to conduct community engagement activities that include a focus on lower-income neighborhood residents who represent similar income categories as are intended to be served by the project, prospective residents, and/or others with lived experience of housing unaffordability and insecurity. Such activities will solicit input in order to complement the Phase I ESA findings by identifying any potential public health concerns related to conditions on the project site or neighboring sites, including soil conditions, construction materials used in existing or previous improvements, or historic land uses, including conditions which are not officially documented in public agency lists such as the California Department of Toxic Substances Control's (DTSC's) Cortese List or otherwise have known hazards.
- Analysis Requirement: Based on the results of community engagement and Phase I ESA findings, the sponsor will identify any further need for site-level analysis to be conducted by qualified professional consultants.
- Project Design Requirement: As applicable, based on the results of professional analysis and identification of any site-specific conditions which may be linked to public health concerns, the sponsor will describe how the project design will address the anticipated concerns, and commit in writing to implementing such design features if the project is awarded ULA funding.

4.2 Application Requirements

Subject to funding availability, LAHD will issue two New Construction Program NOFAs every year detailing the complete application requirements and the amount of funding available. Each NOFA will indicate the form of the application, which must be submitted electronically. For an application to be considered complete, all requirements listed in the NOFA must be provided.

At LAHD's discretion, a NOFA may provide additional application and/or threshold requirements that are not listed in these New Construction 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 NOFA released by LAHD. The Scoring Matrix shall prioritize, among other elements, cost effectiveness, unit typologies that align with City goals, projects located on public-owned or faith-based owned land and conveyed at less than fair market value, and projects that do not require discretionary entitlements, as those criteria are further described in *Section 5.2*.

After applications are scored, they will be divided into two pools:

1. Entities proposing feasible sustainable projects that are Community Land Trusts (CLTs) or Special-Purpose Entities (SPEs) with CLT participation in the SPE's ownership, and demonstrating experience owning and operating properties under resident leadership will receive first funding priority. Applications in the first pool will receive their funding awards in descending order by score, until funds are exhausted.
2. Entities that are either not CLTs or unable to demonstrate direct experience managing resident-led properties will receive second funding priority. If funding remains after allocations are made to the first pool, applications in the second pool will receive their funding awards in descending order by score.

In the event that two or more projects in the same funding pool 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
Entitlement Readiness	Entitlement Readiness may be defined as projects that have secured all necessary entitlements or have the ability to demonstrate that the project can be approved by-right. This can be demonstrated by documents such as Preliminary Zoning Assessment, Zoning Letters, Letter of Compliance, or Determination Letter with approved entitlements.

Cost Effectiveness	Cost effectiveness will be evaluated on a per unit basis, with adjustments for high cost land areas.
Previous Commitment of Public or Philanthropic Funds	Projects that have received a commitment from public or philanthropic funders toward the cost of developing and/or operating affordable housing.
Use of Public Land or Land Owned by Faith-Based Organization(s)	Projects located on public land or land owned by faith-based organization(s), if the land is donated or conveyed at less than fair market value, net of the costs of meeting any requirements of the land seller, such as provision of replacement parking or facilities.
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); and/or ● A certain percentage of units for family housing with three (3) or more bedrooms.
Priority Project Locations	Projects that are either located within HCD/TCAC Opportunity Map index ranked census tracts located in High or Highest Resource areas or areas at high or extremely high displacement risk, as indicated in the forthcoming LAHD displacement risk tool.
Deeper Affordability	Projects that propose a clear and financially-feasible strategy for resident ownership at an average affordability of deed- and resale-restricted rental units at 60% AMI or below; or, for rental projects, an average affordability of 50% AMI or below for deed-restricted units.
Amenities	Project design that incorporates amenities that are above TCAC minimums, including but not limited to wellness, recreation, commercial and/or cultural amenities that enhance community livability and sustainability, such as affordable groceries, open space, and walking, biking, or transit pathways to access a public school.

Preservation Program Guidelines

SECTION 1: ADMINISTRATIVE OVERVIEW

1.1 Program Administrator

The Alternative Models for Permanent Affordable Housing Preservation Program (Preservation 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 sponsor and project review and underwriting, including scoring and awarding of applications.

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 Citizen Oversight Committee (COC) and City Council pertaining to the maximum loan limits.

1.2 Notice of Funding Availability (NOFA) Schedule

Subject to funding availability, LAHD will offer one (1) NOFA for the Alternative Models for Permanent Affordable Housing Preservation 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 how the Program will be operated and general Program requirements.

1.3 Eligible Applicants

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

Affordable Housing Experience

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

Tenant Governance Experience

Development teams must also demonstrate experience supporting tenant governance models. Developers that do not have capacity themselves to support tenant governance must partner with a locally-based Nonprofit organization that (i) has a demonstrated history of managing residential properties under tenant governance models.

Partnerships may take the form of General Partnerships, Limited Partnerships or 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).

1.4 Eligible Projects

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

Project Type:

- The project must be one of two project types:
  - Projects under significant financial distress, defined as the recapitalization, acquisition, and/or rehabilitation of deed-restricted affordable housing projects located in the City of Los Angeles that are at risk of financial insolvency, regardless of the remaining term of covenants; or
  - Projects with expiring or expired covenants, defined as the recapitalization, acquisition, and/or rehabilitation of deed-restricted affordable housing projects located in the City of Los Angeles. For projects with expiring covenants, the remaining term of the covenants shall be less than or equal to 10 years.

Project Size:

- Preservation Program projects have no minimum unit count.

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

- A minimum of 20% of the total project units must be restricted to Acutely Low Income (ALI) and/or Extremely Low Income (ELI) Households. Existing tenants should not be displaced if their incomes exceed newly adopted limits under this program. Unit affordability targets should be achieved over time through natural unit turnover.
- Up to 20% of the total project units may be unrestricted with respect to rents and household incomes if necessary to make the project financially feasible in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4), but all other units must be restricted to be affordable to Lower Income Households. If the unrestricted units are occupied at the time of the project's participation in the Preservation Program, existing tenants should not be displaced. Units should instead float to the higher rent target over time through natural unit turnover.
- LAHD will specify applicable income targeting and rent schedules in each NOFA.
- All deed restricted affordable units must be affordable in perpetuity, as defined in *Section 2.5*, with AMI limits set at the project rather than unit level, and a target of average 60% AMI across each project, subject to City Attorney approval of the regulatory agreement. 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 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 additional public sources is allowed so long as the outside funding sources do not preclude conversion to tenant ownership, permanent affordability, or any other requirements in the ULA measure and ordinance.

1.5 Eligible Activities

Eligible activities include providing financial assistance, and may include making subordinate, long-term, low-interest, fully-amortizing or residual receipts loans to projects that provide affordable rental or homeownership housing, supportive housing, and/or mixed-income housing in accordance with ULA maximum of 20% market rate.

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 and development of the project, including but not limited to conventional financing, design, program, financing, and entitlement processing, developer fees, legal fees, and professional fees;
- Costs associated with market-rate units provided only for the purpose increasing project financial stability in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4); 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 except from Section 8 Housing Choice Vouchers or similar long-term rental housing vouchers.

1.6 Ineligible Activities

Funds awarded under the Alternative Models Preservation 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 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.
- Costs that would normally be paid by the Limited Partnership or Limited Liability Company.
- The payment of delinquent taxes, fees, or charges on properties.

1.7 Loan / Financial Assistance Terms and Limits

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

1. LAHD will determine the average per unit 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 unit typology and at prevailing interest rates.
3. Assuming up to two (2) additional public financing sources, LAHD will determine the projected gap between the per unit cost, per unit soft sources, and per unit supportable debt, for each unit typology.
4. LAHD will set limits on financial assistance for each unit typology to ensure that projects achieve long-term financial stability.

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

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

Interest Rate: The interest rate for all loans is three percent (3%) simple interest. LAHD may determine a lower interest rate of no less than 1% if it is found to be necessary for project feasibility.

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 Loan: The permanent loan term shall be no less than 60 years, and fully amortizing.

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 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.

2.9 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.

2.10 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.
- As applicable, 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 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 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 and 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;
- Failure to adhere to construction cost limits as stated in Section 3.7 of the AHMP Guidelines; and
- Uncured event of default under any other loan agreements from federal, state or county or private lenders.

d. Event of Conflict

Projects must comply with all covenants and loan agreements. Where there are discrepancies between these Alternative Models for Permanent Affordable Housing Preservation Program Guidelines and other funding requirements, the most restrictive will prevail, except if the other funding requirement would preclude conversion to tenant ownership or permanent affordability.

SECTION 3: FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

Based on these Preservation 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 Preservation 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 (1) Preservation 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 45 days from the release of a NOFA to submit proposals.

Each Preservation Program NOFA shall provide specific maximum loan limits, 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, availability of external public subsidies, and LAHD goals with respect to unit typology and affordability mix, as described in *Section 2.5*.

Moreover, each Preservation Program NOFA shall define "at-risk" properties eligible for Program funding:

- Projects under significant financial distress: LAHD will establish standards for financial stress testing.
- Projects with expiring covenants: LAHD will define a timeframe for expiration of affordability restrictions.

At least five (5) 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 Preservation Program 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.

LAHD will first recommend funding allocations to the first pool, which is for qualified CLTs and partnerships that include CLTs, in order of highest to lowest score. If funding allows, LAHD will then recommend funding allocations to the second pool in order of highest to lowest score.

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 finalizes funding commitments and, as applicable, transmits funding commitment 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)(1)(iv), LAHD shall present the recommended Preservation 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 make 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 Preservation 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.

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. Preservation 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 either due to significant financial stress or expiring covenants.

For any eligible project 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 Preservation Program NOFA.

d. Expiring or Expired Covenants

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

For any eligible project with expiring or expired 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 Preservation Program NOFA.

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, please 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.

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).

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 organizational and staff capacity to develop and operate the project.

h. Timeliness Requirement

Timely production of affordable housing is a core objective of the Alternative Models Preservation 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 completion of Environmental Site Assessments, submission of building permits and start of construction.

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

i. 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 CTCAC's site control requirement.

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

j. Tenant Governance and Ownership

Residents shall have a right to participate directly and meaningfully in decision-making concerning the governance of Alternative Models-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 eighteen (18) 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 a property is planned for future conversion from rental to ownership, then the 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.
- If a 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 homeowner 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 Project 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:

- Community Agreements that have been created and adopted by residents in at least one property; as well as three (3) or more of the following:
- Resident Council meeting minutes from at least one (1) property or portfolio of properties; and/or
- Resident Council bylaws adopted by the residents of at least one (1) property or portfolio of properties; and/or
- CLT ground lease and the by-laws of a resident-owned or resident-controlled housing that is the lessee of CLT land, such that, when viewed jointly, the documents demonstrate on-going 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 and 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 resident 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 or 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).

k. 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.

l. Statement of Public Purpose

Project Sponsors must submit a brief narrative statement that considers the COC's Housing Needs Assessment and other available neighborhood-specific information on a community's housing challenges. The Statement of Public Purpose shall identify the household income targeting, housing typologies that best fit community needs, and cultural/linguistic competencies necessary for project owners to support residents who will be integrating into a high resource neighborhood, or those who seek stable housing in a neighborhood with high displacement risk.

The Statement of Public Purpose should address but not be limited to the following:

- Alignment with ULA Purpose and Goals: Describe 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 the ULA ordinance as defined in the Measure's Section 22.618.1: Purpose.
- Community Outreach and Engagement: Describe community engagement to date, including but not limited to, any partnership(s) with community organization(s) that are led by and/or represent populations anticipated to be served by the project, and identification of languages that will be used in future engagement/outreach.

- Tenant Governance and/or Ownership: Explain proposed tenure option(s) based on input from community partner(s) and/or community members, as well as financial analysis of feasibility.
- Affordability Levels: Explain proposed affordability levels based on input from community partner(s) and/or community members, as well as available data that evaluates affordability needs at the neighborhood level.
- Unit Size: Explain proposed unit sizes based on input from community partner(s) and/or community members, as well as available data that evaluates unit size needs at the neighborhood level.

m. Enhanced Environmental Health Commitment

For project sites located within areas with a CalEnviroScreen 4.0 Overall Score in the 80th percentile or higher (or any equivalent score in any successor version of this screening tool), the project sponsor shall include a narrative describing how the project will meet the following requirements:

- Community Engagement Requirement: As part of the site's Phase I Environmental Site Assessment (ESA), the project sponsor will be required to conduct community engagement activities that include a focus on lower-income neighborhood residents who represent similar income categories as are intended to be served by the project, prospective residents, and/or others with lived experience of housing unaffordability and insecurity. Such activities will solicit input in order to complement the Phase I ESA findings by identifying any potential public health concerns related to conditions on the project site or neighboring sites, including soil conditions, construction materials used in existing or previous improvements, or historic land uses, including conditions which are not officially documented in public agency lists such as the California Department of Toxic Substances Control's (DTSC's) Cortese List or otherwise have known hazards.
- Analysis Requirement: Based on the results of community engagement and Phase I ESA findings, the sponsor will identify any further need for site-level analysis to be conducted by qualified professional consultants.
- Project Design Requirement: As applicable, based on the results of professional analysis and identification of any site-specific conditions which may be linked to public health concerns, the sponsor will describe how the project design will address the anticipated concerns, and commit in writing to implementing such design features if the project is awarded ULA funding.

4.2 Application Requirements

Subject to funding availability, LAHD will issue two NOFAs every year detailing the complete application requirements and the amount of funding available. Each NOFA will indicate the form of the application, which must be submitted electronically. For an application to be considered complete, all requirements listed in the NOFA must be provided.

At LAHD's discretion, a NOFA may provide additional application and/or threshold requirements that are not listed in these Preservation Program Guidelines, so long as the additional requirements are consistent with the goals and purpose of the Program and the ULA ordinance.

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 NOFA released by LAHD. The Scoring Matrix shall prioritize, among other elements, cost effectiveness, unit typologies that align with City goals, and projects that demonstrate ability to begin construction more quickly (project readiness), as those criteria are further described in *Section 5.2*.

After applications are scored, they will be divided into two pools:

1. Entities proposing feasible sustainable projects and incorporated as Community Land Trusts (CLTs) or Special-Purpose Entities (SPEs) with CLT participation in the SPE's ownership, and demonstrating experience owning and operating properties under resident leadership will receive first funding priority. Applications in the first pool will receive their funding awards in descending order by score, until funds are exhausted.
2. Entities that are either not CLTs or unable to demonstrate direct experience managing resident-led properties will receive second funding priority. If funding remains after allocations are made to the first pool, applications in the second pool will receive their funding awards in descending order by score.

In the event that two or more projects in the same funding pool 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.
Entitlement Readiness	Entitlement Readiness may be defined as projects that have secured all necessary entitlements or have the ability to demonstrate that the project can be approved by-right. This can be demonstrated by Preliminary Zoning Assessment, Zoning Letters, Letter of Compliance, or Determination Letter with approved entitlements.
Cost Effectiveness	Cost effectiveness will be evaluated on a per unit basis, with adjustments for high cost land areas.
Risk of Affordability Loss	For projects with expiring covenants, priority would be for covenants with more imminent expiry.
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).