

ULA HOMEOWNERSHIP OPPORTUNITIES PROGRAM GUIDELINES

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INTRODUCTION

1. Program Summary

a. Goals and Requirements

The Homeownership Opportunities Program has a goal of promoting long-term housing security and wealth-building via homeownership for low-income Angelenos. The Program supports low-income households in attaining their homeownership goals by providing financial assistance for down payments and other acquisition costs.

The United to House LA (ULA) ballot measure and effectuating ordinance requires that 70% of all ULA Program revenue must be dedicated to Affordable Housing programs. These programs include Multifamily Affordable Housing, Acquisition and Rehabilitation, Capacity-Building, Homeownership, Operating Assistance and Alternative Models for Permanent Affordable Housing.

The Homeownership Opportunities Program is required to support single family and cooperative homeownership opportunities, including but not limited to down-payment assistance, shared equity homeownership, and pre-development funding associated with creating such housing.¹ Eligibility for the Homeownership Opportunities Program is restricted to low-income households earning at or below 80% of the Area Median Income (AMI).

2. Context

The ULA measure and ordinance allows for no more than four percent (4%) of the annual ULA Program revenue to be dedicated to the Homeownership Opportunities Program, as a core strategy to support single family and cooperative homeownership opportunities. The Homeownership Opportunities Program is the only ULA Program that has no minimum required program expenditure amount.

According to the 2022 American Community Survey (ACS) 5-year estimate, there are approximately 886,998 renter households in the City of Los Angeles, and approximately 2,245,299 people are renters. In the traditional wealth building approach, homeownership opportunities are seen as a significant vehicle for housing security and the building of intergenerational wealth in the United States. Typically, households transition from renter households to owner households by purchasing their home. However, due to historic decision making in the public and private sectors, barriers continue to exist that prevent Angelenos of Color from becoming homeowners. In Los Angeles, white households have a median net worth of \$355,000. In comparison, households headed by Angelenos of Mexican

¹ Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)d.

descent and African American descent have a median wealth of \$3,500 and \$4,000, respectively.²

The Los Angeles Housing Department (LAHD) currently operates a low-income homeownership assistance program called the Low Income Purchase Assistance (LIPA) program. The LIPA program provides financial assistance to low-income first-time homebuyers, in the form of loans to cover the down payment, closing, and acquisition cost. While this program has supported over 1,500 low-income households in purchasing their first home, many low-income residents continue to find that homeownership is out of their reach due to high prices, low inventory, and high cost of debt.

The Homeownership Opportunities Program seeks to promote long-term housing security and wealth-building by providing down-payment assistance for low-income Angelenos.

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 homeownership options, and have disproportionately low percentages of homeownership. Decades of land use policies and zoning practices have reinforced racial segregation, poverty, environmental injustice, and disinvestment that is manifested today in racially disparate rates of homeownership. These Homeownership Opportunities Program Guidelines acknowledge that this disproportionality is the result of generations of structural racism. The implementation of the Homeownership Opportunities Program has a goal of adhering to principles of racial equity, with a primary focus on addressing the lack of affordable homeownership options.

Consistent with this commitment to promote racial equity, the Homeownership Opportunities Program is designed to address 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 Program provides resources to proactively address racial and economic segregation throughout the City by creating homeownership and wealth-building opportunities that address historic patterns of discrimination and exclusion.

4. Program Metrics

The Los Angeles Housing Department (LAHD), or its designee, shall collect program metrics and participant data in alignment with the ULA measure and ordinance reporting requirements and in a manner that supports the evaluation of long-term impacts and

² Federal Reserve Bank of San Francisco, *The Color of Wealth in Los Angeles*, 2016.
https://www.aasc.ucla.edu/besol/color_of_wealth_report.pdf

outcomes for the Homeownership Program. On an ongoing basis and to the extent feasible, LAHD and any designees shall track and report data and metrics identified on the chart below. Wherever relevant, data shall be disaggregated by race, family composition, sexual orientation, age, ability, gender, and location (address, zip code, and Council District), as well as by property type (single-family residence, condominium/townhome, or shared equity ownership models).

Goal	Metrics
Provide homeownership assistance to low-income households to promote community stability, in alignment with ULA goals and priorities.	<ul style="list-style-type: none"> ● Number of households receiving first-time homeownership assistance by income, race, number of household members, and other demographic variables. ● Number of homes purchased in High or Highest Resource Areas. ● Number of homes purchased in Racially/Ethnically Concentrated Areas of Poverty (R/ECAP). ● Number of homes purchased in Racially Concentrated Areas of Affluence (RCAA).
Demonstrate financial impact of ULA Program investment on program participants.	<ul style="list-style-type: none"> ● Ratio of homeownership loan recovery by LAHD. ● Ratio of total ULA program spend per unit to most up to date estimated property value. ● Ratio of total ULA program spend per unit to estimated net appreciation in property value.

LAHD shall analyze these and potentially additional metrics and any other participant data collected on an annual basis and provide a summary of its analysis to the ULA Citizen Oversight Commission (COC) to allow for an assessment of whether the Homeownership Opportunities Program is meeting its goals and priorities.

5. Definitions

“*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.

“*Citizen 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.”

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

“Lower Income Household(s)” shall mean households earning at or below 80% Area Median Income (“AMI”).

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SECTION 1: PROGRAM ADMINISTRATION

1.1 Program Administration Overview

The Homeownership Opportunities Program is administered by the City of Los Angeles Housing Department (LAHD), which may, at its discretion, allocate Program funding into any activity that meets all Program requirements as set forth in the ULA measure and ordinance and in these Guidelines. Under the City's existing Low Income Purchase Assistance (LIPA) program, Lending Partners originate a first mortgage to Borrowers using their own funds, while LAHD underwrites and originates a second mortgage that provides low-cost financing to assist Borrowers with down payments, closing costs, and/or paying down the principal on the first mortgage.

LAHD may elect to engage Lending Partners to administer Program-funded activities, including the origination and underwriting of loans on behalf of LAHD.

LAHD, or its designee, will annually revise applicable Underwriting Standards and maximum Program loan limits to reflect changes in the economic environment, including, but not limited to, availability of funds, legal and regulatory mandates, interest rates, and inflation. Once every fiscal year, LAHD will provide an update to the ULA Citizen Oversight Committee (COC) pertaining to the maximum loan limits.

Monitoring and Reporting:

LAHD, or its designee, shall be responsible for collecting and reporting Program performance metrics such as count of households preserved, demographic data on homebuyers, and metrics on cost effectiveness, including total home purchase price, estimated annual property value, City loan amounts per unit, as further delineated in *Section 4* of the Introduction to these Program Guidelines.

1.2 Lending Partners Role

For all activities pertaining to the first mortgage, Lending Partners will be responsible for executing an application process, underwriting projects, and disbursing funds to selected applicants in accordance with their practices and procedures. The Lending Partners would be LAHD's main points of contact with Borrowers throughout the application, underwriting, and funding process for the first mortgage.

Upon attending a training by the Department, the Lending Partners will be responsible for completing all activities listed below:

- Outreach and Marketing
- Underwriting Loan Applications
- Originating Loans

- Executing Loan Agreements
- Metrics and Reporting

Concurrently with the commitment and/or execution of a loan agreement with a Lending Partner, LAHD will ascertain that the Borrower meets all requirements for the second mortgage from LAHD, and will prepare loan documents to provide a subordinate, deferred-payment loan to the Borrower.

1.3 Lending Partners Procurement

Additional elements of the Homeownership Opportunities Program may be implemented by Contract Lending Partners selected by LAHD through a procurement process conducted consistent with the City Administrative Code and relevant City and LAHD policies. Contingent on approval by City Council, LAHD would issue a Request for Proposals (RFP) to solicit and select contractors to act as Contract Lending Partners.

a. Evaluation and Selection Process

Award of a contract to a Contract Lending Partner shall be based on best value competitive bid. Bidders may be evaluated on lending experience, demonstrated history of reaching target household types, and quality of proposed Underwriting Standards. Prior to release of an RFP, LAHD will establish threshold requirements. The RFP will provide additional details, including a revised update of the Program budget as ULA revenues are tabulated, as well as scoring and selection criteria for bidders, scope of work, and reporting and compliance requirements.

1.4 City Living Wage Ordinance

All contractors shall comply with the Living Wage Ordinance, Los Angeles Administrative Code Section 10.37 et seq., as amended from time to time. Contractors further shall agree to comply with federal law proscribing retaliation for union organizing. Any subcontract entered into by a contractor for work to be performed under these Program Guidelines must include an identical provision.

SECTION 2: GENERAL PROVISIONS

The following section provides a summary of general Program requirements and provisions related to Program operation and implementation.

2.1 Eligible Borrowers

Eligible Borrowers shall be first-time homebuyers earning at or below 80% of the household Area Median Income (AMI). First-time homebuyers are defined as persons who do not hold an ownership interest in any real property and have not held ownership interest in real property at any time within the last three years. Eligible Borrowers shall additionally be US citizens, lawful permanent residents, and other qualified residents with temporary lawful immigration status. Eligible Borrowers shall occupy the acquired property as their primary residence.

2.2 Eligible Properties

Eligible Properties are single-unit residential dwellings, which may include single-family detached homes, accessory dwelling units (ADUs) and/or Junior ADUs (JADUs), or single-unit residences within condominiums, townhouses, or planned unit developments.

The City Council and Mayor may, at any time and with the recommendations of LAHD and the COC, promulgate additional guidelines governing a subprogram aimed at supporting purchase of homes in cooperatives and tenancies-in-common (TICs). Such a subprogram would support tenants in projects funded by the Alternative Models for Permanent Affordable Housing Program and the Acquisition and Rehabilitation for Affordable Housing Program in converting from rental housing to resident ownership.

Eligible Properties must be located within the City of Los Angeles.

2.3 Eligible Activities

Eligible activities include making subordinate, deferred-payment loans to households for the purposes of purchasing a home.

Eligible project costs are acquisition costs, including down payment on a mortgage, inspection fees, and other closing costs.

2.4 Loan / Assistance Terms and Limits

Loan Limits: Each fiscal year, LAHD may elect to establish Program loan limits according to the following process:

1. LAHD will determine the average acquisition cost by unit typology
2. LAHD will determine the average household supportable debt based on target income level, various household typologies, and prevailing interest rates
3. LAHD will set loan limits for each unit typology based on the gap between the acquisition cost and household supportable debt
 - Modifiers may be applied based on unit or household typology to ensure loan amounts are sufficient to facilitate home purchases

Loan Type: Permanent loans, with zero percent (0%) interest, deferred payment (requiring no monthly payments), and a shared appreciation component. Loans are assumable by the Borrower's heir(s).

Term of Loan: Thirty (30) Years, or earlier repayment in full upon sale, title transfer, or any other repayment condition enumerated in the City promissory note.

Shared Appreciation: Upon resale, full amortization of the loan, or triggering of any other repayment condition specified by the City, a percentage of the net appreciation in value of the property shall accrue to the City of Los Angeles. Net appreciation shall be calculated as gross appreciation less transaction costs, initial homeowner-contributed down payment, and eligible capital improvements. The percentage of the net appreciation due to the City is based on the ratio of City financial assistance to the total purchase price.

All proceeds from loan repayments and shared appreciation accrual shall be reinvested into the Homeownership Opportunities Program.

2.5 Default

The Loan Agreement will specify the events that may cause LAHD, or its designee, to declare the borrower in default.

SECTION 3: FUNDING CYCLES, TIMING, AND APPROVAL PROCESS

Pursuant to these Homeownership Opportunities Program Guidelines, and subject to funding availability and administrative capacity, LAHD, or its designee, may elect to periodically announce the opening of applications for a specified timeframe, or accept applications via an open window model throughout the year. During each Funding Cycle, LAHD, or its designee, may incorporate additional supplementary terms and details that further clarify City policy and objectives.

3.1 Fiscal Planning and Funding Cycle Development Process

Every fiscal quarter, LAHD will tabulate Program revenues and reconcile against projections. At any time, LAHD may apportion and encumber expenditures to Lending Partners based on projected loan volume.

Subject to funding availability and administrative capacity, LAHD, or its designee, may implement a Funding Cycle to accept applications. Each Funding Cycle will be announced with details on the duration of the Funding Cycle and specific maximum loan limits, which may or may not vary depending on unit and/or household typology. Loan limits will be determined as a function of estimated acquisition costs, supportable household debt, and LAHD goals with respect to unit and household typologies, as described in *Section 2.4*.

3.2 Application Submittal and Underwriting Review

Each Funding Cycle announcement shall be accompanied by detailed guidance about how to submit a complete application, including where to submit an application, a list of all participating lending partners, if any, and all documentation requirements that must be attached upon submission.

LAHD, or its designee, may elect to review applications on a rolling basis or only once the application window has lapsed. Applications will be underwritten to LAHD Project Underwriting Guidelines, or Lending Partner Underwriting Standards, as applicable.

3.3 Loan Agreements

LAHD, or its designee, shall execute Loan Agreements with applicants who meet LAHD Project Underwriting Guidelines or Lending Partner Underwriting Standards, as applicable. Loan Agreements will contain all elements enumerated in *Section 2.4* of these Homeownership Opportunities Guidelines, as well as additional terms, details, and conditions necessary to effectuate City goals.