

# ULA MULTIFAMILY AFFORDABLE HOUSING PROGRAM GUIDELINES

Draft for Consideration by the United to House LA Citizen Oversight Committee  
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A. United to House LA Measure

## INTRODUCTION

### 1. Program Summary

#### a. Goals and Requirements

The Multifamily Affordable Housing Program is a United to House LA (ULA) housing production program which aims to catalyze the development of the maximum number of affordable housing units possible, which in most cases will be achieved by leveraging local, state, and federal funding sources. The Program uses local funding to access additional public subsidies, allowing the Program to construct more affordable housing with less cost to the City.

Successful applicants under the Program would be required to seek outside resources or funding from competitive sources to fully fund project costs, prior to the start of construction.

Following is a summary of universal ULA requirements that must be met in all ULA Affordable Housing Programs, as further delineated in Los Angeles Administrative Code Section 22.618.3(d)(1)(i):

- All units affordable to Lower Income Households, with a limited exception for units created using the Alternative Models for Permanent Affordable Housing Program.
- All units are affordable in perpetuity, with limited exception to permit 55-year 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 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 Multifamily Affordable Housing Program:

- Funds shall be used to produce the greatest number of affordable units possible. Usually this will require using ULA funds in conjunction with federal, state, and local affordable housing funding sources, such as Low-Income Housing Tax Credits (LIHTC), although projects that meet leveraging requirements by other sources such as land donation or philanthropic contributions shall be eligible.

- Allocation of funds and program requirements shall align with the City's housing goals, including those set forth in the Regional Housing Needs Assessment, the Housing Element, the Comprehensive Homeless Strategy, and legal settlements applicable to housing production.

## **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. ULA is a significant funding source to help the City meet this need.

ULA provides funding for several affordable housing production paradigms. Among these, the Multifamily Affordable Housing program requires that its funds be used in conjunction with other state, local, or federal funding sources in order to maximize investment of program funds and support production of affordable housing needed to help meet RHNA goals. Other ULA housing production and preservation programs include the Alternative Models for Affordable Housing Program and the Acquisition and Rehabilitation Program.

Each year the Los Angeles Housing Department (LAHD) and the ULA Citizens Oversight Committee (COC) will present a summary of housing needs and production to the City Council and Mayor. LAHD will include in this annual report a summary of all city-controlled funding sources for housing production and preservation, to facilitate the consideration of the use of ULA funds within the context of the City's overall housing needs and resources.

## **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 Multifamily 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 Multifamily Affordable Housing Program has a primary goal of adhering to principles of racial equity, with a focus on addressing affordable housing needs. Consistent with this commitment to promote racial equity, the Multifamily 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 Multifamily 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, including by promoting the creation of affordable housing in Higher Opportunity Areas.

#### **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 Multifamily Program. To the extent feasible, this information includes but is not limited to, the number of units produced, the number of residents located within each project, and the number of jobs created. Development activities will be tracked by dollars spent on housing construction.

<b>Goal</b>	<b>Metrics</b>
Produce new affordable housing units, in alignment with ULA goals and priorities.	<ul style="list-style-type: none"> <li>• Number of units produced by income category.</li> <li>• Number of units produced in High or Highest Resource Areas as indexed by the CTCAC/HCD Opportunity Map.</li> <li>• Number of units produced in Racially/Ethnically Concentrated Areas of Poverty (R/ECAP).</li> <li>• Number of units produced in Racially Concentrated Areas of Affluence (RCAA).</li> <li>• Number of units produced on public land.</li> <li>• Number of units produced near public transit.</li> <li>• Number of units produced on land owned by faith-based institutions.</li> </ul>
Create construction jobs from development projects, in alignment with ULA goals and priorities.	<ul style="list-style-type: none"> <li>• Number of jobs created, disaggregated by: <ul style="list-style-type: none"> <li>○ race/ethnicity;</li> <li>○ gender; and</li> <li>○ share of workers living within the City of Los Angeles.</li> </ul> </li> <li>• Number and percentage of Apprentice hours worked on development projects</li> <li>• Number and percentage of Targeted Local Hire hours worked on development projects</li> </ul>
Create high quality affordable housing opportunities for people, in alignment with ULA goals and priorities.	<ul style="list-style-type: none"> <li>• Number of people housed in units produced, to be disaggregated by the ULA measure and ordinance reporting requirements.</li> </ul>

Maximize ULA investment by ensuring cost effectiveness and leveraging of additional public resources, and ensuring timely delivery of needed housing.	<ul style="list-style-type: none"> <li>• Total Development Cost (TDC) per unit per project by project type and program</li> <li>• Ratio measuring the dollar amount leveraged from state and federal sources for every \$100,000 in ULA program dollars invested into a project.</li> <li>• Number of Months Elapsed from First Predevelopment Activity to Placed-In-Service</li> </ul>
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LAHD shall analyze these and potentially additional metrics and participant data annually and provide a summary of its analysis to the 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.

*“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.”

“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. 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: (il) Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences; (iill) 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; (iiilll) When a dwelling or unit that is situated on land owned by the non-profit corporation is sold to a qualified owner, the land is leased by the non-profit corporation to the income-qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years. It is also abbreviated as “CLT.”

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

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

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

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

“Housing Needs Assessment” shall mean a data-informed study, conducted by the 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.

*“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”) 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.*  
~~mean households earning at or below 80% Area Median Income (“AMI”).~~

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

*“Nonprofit(s)”* shall mean ~~an tax-exempt~~ organization exempt from taxation pursuant to the Internal Revenue ~~CService (“IRS”)-code~~ Ssection 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, 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, which must be replaced at a 1:1 ratio, 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.” ~~The RUD will consider all deed restricted or rent controlled units that will be or were vacated within the last five (5) years.~~

*“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.

*“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.

*“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 ~~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, including by providing the income targeting and/or other unit typologies that best fit the community need.



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

## SECTION 1: ADMINISTRATIVE OVERVIEW

### 1.1 Program Administrator

The Multifamily Affordable Housing 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 the 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, and inflation. Concurrently with the issuance of each NOFA, LAHD will provide an update to the City Council pertaining to the maximum loan limits.

As the administrator of the Multifamily Affordable Housing Program, LAHD may elect to promulgate, with the advice of the COC and approval of the City Council and Mayor, additional guidelines that would govern the implementation of a Predevelopment Loan Program to make loans for site acquisition and some portion of predevelopment costs prior to construction start and prior to the project securing all other funding sources.

### 1.2 Notice of Funding Availability (NOFA) Schedule

Subject to funding availability and timing and availability of additional leveraging sources, LAHD will offer two Multifamily Affordable Housing Program NOFAs every fiscal year, in coordination with the California Tax Credit Allocation Committee (CTCAC), the California Debt Limit Allocation Committee (CDLAC), and the California Department of Housing and Community Development (HCD), as well as other local agencies such as the Los Angeles County Development Authority (LACDA). Additional information regarding the NOFA, project application, and project award schedule will be provided in Department-issued NOFAs. ~~Each NOFA will be submitted to the City Council and Mayor for review and approval.~~

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

## SECTION 2: GENERAL PROVISIONS

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

### 2.1 Eligible Applicants

Eligible applicants are entities that have a demonstrated history of affordable housing development, ownership, operations and affordable housing property management. Eligible entities, including Community Land Trusts (CLTs) and Limited Equity Housing Cooperatives (LEHCs), may qualify by either partnering with an experienced ~~Non~~nonprofit or by showing adequate organizational and staff capacity to operate and manage the project.

Applicant experience and capacity will be evaluated in accordance with LAHD Sponsor Underwriting Guidelines.

### 2.2 Eligible Projects

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

#### Project Type and Size

- The project must provide 40 or more deed-restricted affordable housing units.
- Projects may be affordable housing for families, seniors, special needs populations such as Transition Aged Youth (TAY) or Domestic Violence (DV) survivors, or housing for people experiencing or at-risk of homelessness.

#### Labor Compliance

- Projects with 40 units or more 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.

#### Affordability Mix and Rent Schedules

Except for manager's unit(s), all units must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below. Goals for deeper affordability targeting shall be established in each NOFA.

~~For projects without state or county funding sources in the capital stack and not subject to non-City regulatory agreements,~~ LAHD will apply HUD/LIHTC income targeting and rent schedules, with the exception of when projects or units in the project are subject to regulatory agreements that require Health and Safety Code income targeting and rent schedules. ~~For~~

~~projects with state and/or county funding sources in the capital stack, LAHD will apply Health and Safety Code income targeting and rent schedules.~~

#### Outside Leveraging

Project financing must include existing commitments from federal, state, county or non-ULA funding sources, or a commitment and demonstrated capacity to pursue the same within the project timeline.

### **2.3 Eligible Activities**

Eligible activities include making subordinate, residual receipts loans to eligible projects.

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 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 conventional financing, design, program, financing, and entitlement processing, developer fees, legal fees, and professional fees etc.; 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.

### **2.4 Ineligible Activities**

Funds awarded under the Multifamily Affordable Housing Program shall not be used for the following expenses or activities:

- Substitution for any committed permanent project financing source, unless the substitution was approved at the time of commitment.
- Costs associated with units not funded by the City of Los Angeles.
- Commercial space or tenant improvements.
- Reimbursement for project costs that have been paid by another 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 / Assistance Terms and Limits

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

1. LAHD will determine the average per unit Total Development Cost (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 additional sources of public financing, LAHD will determine the projected set loan limits for each unit typology based on the gap between the per unit cost, per unit soft sources, and per unit supportable debt, for each unit typology.
- 3.4. LAHD will set limits on financial assistance for each unit typology to ensure that projects achieve loan-term financial stability.
  - Modifiers may be applied to increase maximum loan limits for units with three (3) or more bedrooms, Permanent Supportive Housing (PSH) units, more deeply affordable units, and/or projects located in higher cost or higher opportunity areas.

Loan Type: Predevelopment, construction (including reimbursement of acquisition and predevelopment costs), and permanent loans.

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: If the Affordability Covenant is 55 years, the loan term shall be 57 Years (i.e., a 24-month construction period plus a 55-year permanent loan period). If the Affordability Covenant is longer, the loan term shall be extended to match the Covenant term.

Term of Affordability Covenant: The term of the affordability restrictions in the Regulatory Agreement shall be in perpetuity, or such other maximum length of time as may be permitted by applicable law. However, a more limited affordability covenant, albeit with a fixed term of no less than 55 years, shall be acceptable if necessary, as verified by the Los Angeles Housing Department if such shorter covenant period is necessary for the Project to meet the

requirements of the Project's other funding sources, such as a "true debt test" for tax credit financing.

Developer Fee: The allowable Developer Fee 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. ~~consistent with the most recent TCAC Regulations in force, and will be further defined within each NOFA.~~

## 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.

Sponsors that lack ~~a~~ 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
- Proposed project timeline for development and lease up

## 2.7 Loan Management and Occupancy Monitoring

### a. Loan Management

Sponsors of awarded projects are required to:

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

### b. Occupancy Monitoring

Once a year, project owners must submit documentation that 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. Occupancy Monitoring will be required to ensure that affirmative marketing practices are compliant with LAHD policy, and that tenants are income-verified and charged the correct rents. The developer 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.

Occupancy monitoring shall be conducted once per year.

**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 the proposed project within the time agreed;
- Breach of rental/ownership covenants;
- Failure to maintain the property;
- 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;
- 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 Affordable Housing Managed Pipeline (AHMP) Guidelines; or
- 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 Multifamily Affordable Housing Program Guidelines and other funding requirements, the most restrictive will prevail.



### SECTION 3: FUNDING ROUNDS, TIMING, AND APPROVAL PROCESS

Based on these Multifamily Affordable Housing 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 Multifamily Affordable Housing Program Guidelines shall be applicable to each NOFA, and a NOFA may incorporate additional terms and details that further clarify City policy and objectives.

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

Based on funding availability, LAHD shall issue two (2) Multifamily Affordable Housing Program NOFAs per year. The timing of each NOFA shall be announced at least three (3) months in advance of the application opening, and applicants shall have at least 4530 days from the opening of an application window to submit proposals.

Each Multifamily Affordable Housing 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, expected non-ULA leveraged funds, and LAHD goals with respect to unit typology and affordability mix, as described in *Section 2.5*.

At least fiveten (540) business days before the application window opens, LAHD shall hold a non-mandatory Bidders' Conference to provide a high-level overview of the NOFA and respond to sponsor questions.

#### 3.2 Application Submittal and Review

Each Multifamily Affordable Housing 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, timely applications that pass threshold review will be ranked by score.

LAHD will recommend project funding allocations in order of highest to lowest score. More detailed information about these elements is provided in *Section 4: Threshold Requirements* and *Section 5: Selection Process and Criteria*.

Preliminary funding recommendations shall be publicized and applicants shall have a window to submit an appeal before LAHD finalizes funding commitments and, as applicable, transmits ~~its funding recommendations~~ to City Council.



### 3.3 Appeal Process

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

### 3.4 Council Approval Process

Consistent with Los Angeles Administrative Code Section 22.618.3(d)(1)(iv), LAHD shall present the Multifamily Affordable Housing 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 Multifamily Affordable Housing 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~~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.

Additional detail about the elements of the LAHD Project Underwriting Guidelines is provided in *Section 2.6*.

**b. Minimum 40 Unit Requirement for New Construction Projects**

The minimum project size for Multifamily Affordable Housing Program projects is 40 units. Project sponsors will be required to submit plans and documentation showing that the project will have at least 40 deed-restricted units.

**c. Project Labor Agreement (PLA)**

For projects with 40 units or more, the ~~P~~project ~~S~~sponsor must submit a Letter of Assent attesting that it will comply with all the terms and conditions of the City of Los Angeles Board of Public Works Master Project Labor Agreement (PLA), or a specific ULA Measure-wide PLA, negotiated with mutual agreement between the Los Angeles/Orange Counties Building and Construction Trades Council and the Southern California Association of Nonprofit Housing (SCANPH), and approved by the Los Angeles City Council.

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

**d. LIHTC Requirement**

Awarded Multifamily Affordable Housing projects are required to apply to the California Tax Credit Allocation Committee (CTCAC) and/or California Debt Limit Allocation Committee (CDLAC) to leverage additional public subsidies. Applicants to the Multifamily Affordable Housing Program face a threshold requirement to provide projected scores and tiebreaker results based on the CTCAC and CDLAC Regulations in effect at the time of application submission.

**e. Minimum Unit Size Requirements**

Projects must comply with TCAC unit size minimums.

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

Units demolished for redevelopment under this Program shall be replaced at a ratio of one replacement unit for each qualified demolished unit, subject to a Replacement Unit Determination (RUD) by LAHD. Moreover, replacement units must be restricted to an AMI

level that matches the affordability of the household that resided in the demolished unit, or to an AMI level that is more deeply affordable. Project sponsors shall submit a Rent/Income Restriction History Assessment, which must provide, to the best of sponsor's ability, a breakdown by income level of any deed-restricted or rent-controlled residential units that will be or were vacated within the last five (5) years, as well as a record of all Lower Income Households that were known to reside in the property within the last five (5) years. ~~household incomes of any tenants who resided in 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 ~~S~~sponsors shall submit a Relocation Plan, which must include offers of comparable dwellings, as well as a Leasing Preference Policy granting Right of First Refusal to tenants displaced by the project.

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

#### **g. Project Sponsor Experience**

Experience across localities administering multifamily housing programs highlight that sponsor capacity to own, operate, and make strategic asset management decisions, is critical to the success of affordable housing projects. Project Sponsors will be required to demonstrate capacity to own and oversee management of affordable housing projects; it will not be sufficient to have an experienced property manager. LAHD Sponsor Underwriting Guidelines will be utilized to assess the capacity and risk profile of each applicant. Additional detail about the LAHD Sponsor Underwriting Guidelines is provided in *Section 2.6*.

For projects submitted to satisfy the experience requirement and in operation for more than three (3) years, the General Partner or key principal within the General Partner organization must submit a certification from a third party certified public accountant that the projects have maintained a positive operating cash flow, from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) for the year in which each development's last financial statement has been prepared and have funded reserves in accordance with the partnership agreement and any applicable loan documents.

The certification of the third party certified public accountant may be in the form of an agreed upon procedure report that includes funded reserves as of the report date.

#### **h. Site Control**

Project ~~S~~sponsors must demonstrate site control and the ability to secure 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 Negotiation Agreement (ENA) with 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, Project Ssponsors shall submit with the application a copy of a Preliminary Title Report prepared within the ninety (90) days preceding application submission.

#### i. Accessibility Standards

Project sponsors must provide a Self-Certification Form for Compliance to Accessibility Standards. City-funded projects must comply with all applicable accessibility standards in effect at the time of the NOFA. These include all applicable~~the federal Americans with Disabilities Act (ADA), State of California Disabled Persons Act, the City of Los Angeles Accessible Housing Program (AeHP) and any other~~ statutes, ordinances, regulations, court orders, consent decrees, or other legally enforceable standards that may apply to housing projects.

### 4.2 Application Requirements

Subject to funding availability and timing and availability of additional leveraging sources, LAHD will issue two (2) Multifamily Affordable Housing 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 Multifamily 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 selection criteria outlined in this section.

### 5.1 Evaluation and Scoring Criteria - General

All applications that pass Threshold Review will be scored according to a Scoring Matrix, which will be an element of each Multifamily Affordable Housing NOFA issued by LAHD. The Scoring Matrix shall prioritize project readiness, cost effectiveness, competitiveness for LIHTC award, projects located on public land and/or land owned by faith-based organizations if conveyed at less than the fair market value, and unit typologies that align with City goals. Criteria will vary for project types such as family or senior or DV survivor housing, or housing for people experiencing homelessness. These criteria will be further specified in each NOFA.

In the event that two or more projects receive the same score, selection priority will be determined by a tiebreaker, to be defined in each implementing NOFA.

### 5.2 Evaluation and Scoring Criteria - Scoring Priorities

Priority	Description
<u>Entitlement Project</u> Readiness	<u>Entitlement Project</u> Readiness may be defined as <u>readiness to submit Building Permit Application(s) and Start Demolition/Construction. Project readiness may also encompass</u> 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, 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.
TCAC and/or CDLAC Scoring Competitiveness	Applications that can demonstrate that the project would attain the maximum possible score on the TCAC/CDLAC application for the pool or set-aside in which the project is competing
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 land is donated or conveyed at less than the fair market value, <u>net of the costs of meeting any requirements of the land seller, such as provision of replacement parking or facilities.</u>

Priority Populations	Projects that set aside: <ul style="list-style-type: none"><li>• A certain percentage of units for special needs populations</li><li>• A certain percentage of units for family housing with three (3) or more bedrooms.</li></ul>
<u>Priority Project Locations</u>	<u>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.</u>