

## Los Angeles Housing Department Term Sheet

### United to House Los Angeles (ULA) - Acquisition and Rehabilitation: Preserving Affordability

<b>Program Description</b>	<p>The United to House Los Angeles (ULA) program is a sustainable funding stream dedicated to affordable housing production and homelessness prevention in the City of Los Angeles. Through ULA, the City provides funding to the City's <b>Acquisition &amp; Rehabilitation: Preserving Affordability Program</b>, which supports the acquisition, rehabilitation, and preservation of affordable housing.</p> <p>The Los Angeles Housing Department (LAHD) intends to release a Notice of Funding Availability (NOFA), which will provide capital financing for the creation and operation of permanent affordable multifamily rental units.</p> <p>LAHD would begin accepting applications on September 5, 2025. Applications will be due on October 20, 2025.</p>
<b>Available Capital Funds</b>	<p>Through this Homes for LA NOFA, LAHD will provide up to an anticipated <b>\$30.4 million</b> as part of the United To House Los Angeles (ULA) Acquisition and Rehabilitation: Preserving Affordability program. Availability of funds for this Program is subject to approval of the proposed FY 2025-26 ULA Expenditure Plan by the Mayor and City Council. The total amount of available capital funds will be confirmed with the publication of the Homes for LA NOFA.</p>
<b>Eligible Applicants</b>	<p>Eligible Project Sponsors are public entities, local housing authorities, Community Land Trusts (CLTs), Limited Equity Housing Cooperatives (LEHCs), and 501(c)(3) non-profit entities. Partnerships such as General Partnerships, Limited Partnerships, and Limited Liability Companies (LLCs) may apply provided that the Managing General Partner is an eligible entity. A for-profit entity cannot be the Managing General Partner.</p> <p><u>Tenant Governance Experience</u></p> <p>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.</p> <p>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).</p>
<b>Eligible Projects and Requirements</b>	<p><u>Eligible Project Types:</u></p> <ul style="list-style-type: none"> <li>The project must be an existing residential building that is subject to a regulatory agreement that restricts some or all of its units with respect to household incomes and/or rents. In addition, the building must have</li> </ul>

	<p>an existing regulatory agreement that will expire within ten (10) years from the time of the application for funding.</p> <p><u>Project Size:</u></p> <ul style="list-style-type: none"> <li>The Acquisition Rehabilitation (Preservation) program has no maximum or minimum project size with respect to unit counts.</li> </ul> <p><u>Affordability Requirement Unique to Acquisition Rehabilitation (Preservation):</u></p> <ul style="list-style-type: none"> <li>Upon completion of preservation activities, all units must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below. Existing tenants should not be displaced if their incomes exceed 80% AMI or any lower income limits adopted for their unit. Unit affordability targets should be achieved over time through natural turnover.</li> </ul> <p><u>Labor Compliance:</u></p> <ul style="list-style-type: none"> <li>Must pay prevailing wage.</li> <li>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.</li> </ul> <p><u>Outside Leveraging:</u></p> <ul style="list-style-type: none"> <li>Leveraging of non-ULA funding sources is only permissible if such additional funding does not preclude future conversion of the property to tenant ownership, permanent affordability, or any other requirements in the ULA measure and ordinance.</li> </ul> <p><u>Project Resale:</u></p> <ul style="list-style-type: none"> <li>Resale of rental property is restricted to Nonprofits, Limited Equity Housing Cooperatives (LEHCs) and/or Community Land Trusts (CLTs).</li> </ul>
<b>Affordability Requirements and Rent Schedules</b>	<p><u>Affordability Requirements:</u></p> <p>Except for the manager's unit(s), all units must be covenanted to be affordable to households earning 80% Area Median Income (AMI) or below.</p> <p><u>Rent Schedules:</u></p> <p>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.</p>
<b>Eligible Activities</b>	<ul style="list-style-type: none"> <li>Acquisition costs during predevelopment;</li> </ul>

	<ul style="list-style-type: none"> <li>• Rehabilitation costs;</li> <li>• 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);</li> <li>• Construction and financing costs, including demolition, off-site public improvements, construction bonds, general contractor and subcontractor payments including overhead, profit, and general conditions;</li> <li>• Relocation and related expenses;</li> <li>• 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; and</li> <li>• Replacement reserves; and</li> <li>• 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.</li> </ul>
<b>Ineligible Activities</b>	<ul style="list-style-type: none"> <li>• Substitution for any committed permanent project financing source, unless the substitution was approved at the time of commitment.</li> <li>• Costs associated with units not funded by the City of Los Angeles.</li> <li>• Reimbursement for project costs that have been paid by another project funding source, unless the reimbursement was approved at the time of commitment.</li> <li>• Travel expenses, food, or meals.</li> <li>• Application fees for other project financing.</li> <li>• Office or general organizational expenses.</li> <li>• Costs that would normally be paid by the Limited Partnership or Limited Liability Company.</li> <li>• The payment of delinquent taxes, fees, or charges on properties.</li> </ul>
<b>Loan Assistance and Term Limits</b>	<p><b>Limit:</b> The maximum loan limit is up to 30% of total development cost. LAHD reserves the right to increase the maximum amount per project on a case-by-case basis.</p>

**Type:** Construction (including reimbursement of acquisition and predevelopment costs) and Permanent loans. Permanent loans may allow for transfer of ownership to a legal entity owned and/or controlled by residents. These loans will be provided in the form of residual receipts loans.

**Interest Rate:** Three Percent (3%) simple interest. LAHD reserves the right to determine a lower interest rate of no less than 1% if it is found to be necessary for project feasibility. In the case of Service Payback Loan or other forgivable loan product, the interest rate may be 0%.

**Term of Loan:** Sixty (60) years (i.e. a 24-month construction period followed by a 58-year permanent loan period). LAHD reserves the right to negotiate a longer term if it is determined necessary for financial feasibility.

**Term of Affordability Covenant:** The term of the affordability restrictions in the Regulatory Agreement shall be in perpetuity (or such shorter period of time as may be required by applicable law); provided, however, that for projects qualifying for LIHTC, tax-exempt bonds, or federal or state government-sponsored entity loan programs, LAHD shall, based on a Department finding of extraordinary need, have flexibility to structure the terms in its loan documents and/or covenants or restrictions in.

**Subordination:** The Regulatory Agreement for ULA designated units will **not** be subordinated. The LAHD will require other lenders (senior and junior) to execute a Subordination Agreement to subordinate to the ULA Regulatory Agreement. LAHD will, however, generally subordinate its Deed of Trust, with right to cure, to conventional loans and other public lenders.

## Threshold Requirements

Threshold Requirements are enumerated in the table below:

Threshold Item	Required Documents
1: Project demonstrates Financial Feasibility	<b>Document 1:</b> Completed UNOFA Application and Financial Proforma; ULA Operating Assistance applicants must also provide a Variance Analysis as part of the Proforma showing causes of operating gaps;
2: Project sponsor must disclose potential conflicts of interest and legal/financial liabilities	<b>Document 2:</b> Sponsor must submit a signed certification disclosing all partnerships, corporations, all properties owned by the applicant, and other entities in which the sponsor is a principal (identities of interest, conflicts of interest and default/foreclosures);

<b>3:</b> Project must have Site Control and Clean Title	<b>Document 3:</b> Fully Executed Purchase and Sale Agreement (PSA), Development and Disposition Agreement (DDA), etc.; and, Preliminary Title Report ; Projects applying for HUD-funded programs must also provide Proof of Voluntary Acquisition;
<b>4.</b> Project sponsor must pass Sponsor Underwriting	<b>Document 4:</b> Project sponsor must submit the proposed ownership and management structure of the project, as well as key organizational documents of the sponsor; Project sponsor must submit Audited Financial Statements (AFSs) with lookback period of three (3) years, and a Real Estate Owned (REO) Schedule;
<b>5:</b> Project site valuation must be supported by an appraisal	<b>Document 5:</b> Project sponsor must submit a certified appraisal;
<b>6:</b> Project sponsor must commission Environmental Site Assessments (ESAs) and remediate hazards	<b>Document 6:</b> Project sponsor must submit recent Phase I and/or Phase II ESAs;
<b>7:</b> New Construction projects must undergo evaluation of geo-technical engineering of subsurface soils	<b>Document 7:</b> Project sponsor must submit a Soils Report;
<b>8:</b> Projects involving demolition must identify lead and asbestos hazards	<b>Document 8:</b> Project sponsors must submit an asbestos assessment and lead-based paint report. For new construction projects with complete demolition, the application may presume presence of lead and asbestos but must submit a letter indicating that all appropriate hazard abatement protocols will be followed;
<b>9:</b> Projects must show comply with architectural standards; ULA New Construction projects must meet a 40 unit count minimum	<b>Document 9:</b> Project sponsor must submit concept architectural plans and/or schematics; Applications opting for Enhanced Accessibility Program points must include

	compliant features as part of the submission;
<b>10:</b> Project sponsor must provide a self-score for the Homes for LA NOFA funding program for which it is applying	<b>Document 10:</b> Project sponsor must provide a Self-Score Form for Competitive Criteria, which must also certify that the applicant has fully read through the Homes for LA NOFA Regulations;
<b>11:</b> Project sponsor must provide relocation assistance to projects involving displacement of qualified households	<b>Document 11:</b> Project sponsor must provide a Relocation Project Summary Assessment
<b>12:</b> Project must comply with Housing Crisis Act (HCA), Resident Protection Ordinance (RPO), and United to House LA (ULA) replacement requirements	<b>Document 12:</b> Project sponsor must submit a Replacement Unit Determination (RUD);
<b>13:</b> Project must comply with Accessibility Standards	<b>Document 13:</b> Self-Certification Form for Compliance to Accessibility Standards;
<b>14:</b> Sponsor must commit to timely completion of work	<b>Document 14:</b> Sponsor must submit a Milestones Commitment Letter;
<b>15:</b> Sponsor must certify compliance with LAHD business policy and general City requirements	<b>Document 15:</b> Sponsor must submit an Assurances and Conditions form;
<b>16: For projects with tax credits in the capital stack only,</b> project must demonstrate competitiveness for tax credits	<b>Document 16:</b> Projected self-score and tiebreaker for CTCAC application or CDLAC application;
<b>17: For Permanent Supportive Housing (PSH) projects only,</b> sponsor must demonstrate commitment of operating/rental subsidy	<b>Document 17:</b> Evidence of committed Project-Based Vouchers (PBVs) or other long-term operating subsidy;
<b>18:</b> Sponsors must assess deferred maintenance and capital needs	<b>Document 18:</b> Sponsor must submit a Capital Needs Assessment (CNA) and a Scope of Work (SOW) for capital improvements;

	<b>19: For ULA Acquisition &amp; Rehabilitation projects only,</b> Sponsors must demonstrate that project has expiring covenants	<b>Document 19:</b> Sponsor must provide the deed of trust and covenant agreement on the property with expiring covenants;
	<b>21: For ULA projects with at least 40 units only,</b> construction must comply with a Project Labor Agreement	<b>Document 21:</b> For ULA-funded projects with 40 or more units, project sponsor must submit Letter of Assent attesting that it will comply with all the terms and conditions of the Board of Public Works Master Project Labor Agreement;
	<b>23: For ULA Alternative Models and ULA Acquisition &amp; Rehabilitation projects only,</b> Project must address racial disparities	<b>Document 23:</b> Project sponsor must provide a Racial Equity Commitment;
	<b>24: For ULA Alternative Models and ULA Acquisition &amp; Rehabilitation projects only,</b> Project incorporates tenant governance and development team has tenant governance experience	<b>Document 24:</b> Project sponsor must submit a Resident Engagement and Leadership Plan; the sponsor also shows that a member of the development team has experience pertaining to the tenant governance, including through the provision of Community Agreements, meeting minutes from Resident Councils, or through trainings and resident attestations;
	<b>27:</b> List of Entities and Names of Partners	<b>Document 27:</b> Upload LAHD form naming beneficial owners of any Special-Purpose Entities

Evaluation and Scoring Criteria	Applicants determined to have passed Threshold Review will be scored and prioritized for funding based on the following scoring priorities:											
	<table><tr><th>All Preservation Base Scoring</th><th>Points</th></tr><tr><td>Feasibility</td><td>20</td></tr><tr><td>Entitlement Readiness or By-Right Ministerial Projects</td><td>15</td></tr><tr><td>Capital Stabilization Plan</td><td>20</td></tr><tr><td>Risk of Affordability Loss</td><td>15</td></tr></table>	All Preservation Base Scoring	Points	Feasibility	20	Entitlement Readiness or By-Right Ministerial Projects	15	Capital Stabilization Plan	20	Risk of Affordability Loss	15	
All Preservation Base Scoring	Points											
Feasibility	20											
Entitlement Readiness or By-Right Ministerial Projects	15											
Capital Stabilization Plan	20											
Risk of Affordability Loss	15											

Priority Populations (Special Needs or ALI/ELI or Seniors)	5
Retrofit/Rehabilitation Work that Provides Certified Accessible Units	20
Enhanced Accessibility Program	5
<b>TOTAL BASE SCORE</b>	<b>100</b>

Additional Program-Specific Scoring Elements:

<b>ULA Acq/Rehab Preservation</b>	<b>Points</b>
TCAC/CDLAC Scoring Competitiveness	25
History of Tenant Engagement	10

All definitions for each scoring criteria are described in the primary Homes for LA NOFA Regulations.