



# Los Angeles Housing Department

## Homes For LA NOFA: Technical Addendum Memorandum

October 8, 2025

In response to feedback from members of the public, the Los Angeles Housing Department (LAHD) has issued a Technical Addendum Memo to the Homes for LA Notice of Funding Availability Regulations (“NOFA Regulations”). The Technical Addendum Memo provides key clarifications around entitlement and feasibility scoring, and implements technical corrections for cost effectiveness scoring and accessibility compliance.

This guidance elaborates upon the Homes for LA NOFA Regulations, and will supersede the NOFA Regulations whenever there is a conflict.

### I. Scoring Methodologies Elaborated

#### A. Entitlement Readiness Priority Points for New Construction and Preservation Programs

***Acceptable documents and points assigned:***

15 points will be awarded if any of the following three documents is available:

- Letter of Compliance (*Planning Department*)
- Letter of Determination (*Planning Department*) where the appeal period has expired and no appeal has been filed. Alternatively, an appeal to the project may have been filed, but all appeal options have already been exhausted and denied.
- Building permits that are Ready to Issue (RTI) (*Department of Building and Safety*)

8 points will be awarded if either of the following documents is available:

- Letter of Determination (*Planning Department*) where the appeal period has NOT expired or an appeal has been filed and is pending a decision.
- Preliminary Zoning Assessment Form with no corrections for ministerial projects (*Department of Building and Safety*). Please note that DBS will only provide these forms temporarily for the purposes of applying to this NOFA round.

6 points will be awarded if only the item below is available:

- Proof that an entitlement application has been filed and has been deemed complete by Planning staff (*Planning Department*)

4 points will be awarded if only the the item below is available:

- Proof that an entitlement application has been filed (*Planning Department*)

2 points will be awarded if only one of the items below is available:

- A referral form (*Affordable Housing, TOC, CHIP, etc.*) signed by Planning staff (*Planning Department*)
- Preliminary Zoning Assessment Form with corrections outstanding for a ministerial project (*Department of Building and Safety*)

## **B. Feasibility Scoring Points for New Construction and Preservation Programs**

### Feasibility Scoring Definitions

*"Sponsor(s)"* - A Sponsor is the entity acquiring, owning, and/or managing a project directly; or the Managing General Partner (MGP), and/or entity with equivalent responsibilities to the MGP, of a Special Purpose Entity (SPE) that is acquiring, owning, and/or managing a project.

*"Principal(s)"* - Principals are leadership and experienced staff of the Sponsor, including, but not limited to, the following positions:

- President
- Chief Executive Officer
- Chief Operating Officer
- Vice President
- Executive Director
- Director of Development
- Director of Real Estate
- Project Manager

### Feasibility Points

The Feasibility score will be the sum of both Sponsor and Project Underwriting in two equal parts. LAHD underwriting staff will utilize the Sponsor Underwriting Guidelines and Project Sponsor Underwriting Guidelines to comprehensively evaluate each application.

[Underwriting Guidelines](#) are available on the Homes for LA NOFA webpage.

For New Construction projects, a total of up to 30 points will be awarded, of which up to 15 points will be awarded based on the Sponsor Underwriting and up to 15 points will be awarded based on the Project Underwriting. For Preservation projects, a total of up to 20 points will be awarded, of which up to ten (10) points will be awarded based on the Sponsor Underwriting and up to ten (10) points will be awarded based on the Project Underwriting. Additional information on Sponsor Underwriting and Project Underwriting is provided below.

LAHD underwriting includes both binary requirements (e.g., projects unable to demonstrate 1.15 Debt Service Coverage Ratio (DSCR) are eliminated), and relative ratings (e.g., Sponsors with larger and/or cash-flowing portfolios are rated more highly for financial capacity than Sponsors with smaller portfolios and/or Sponsors which hold projects that are running operating deficits). LAHD shall exercise discretion to evaluate relative rankings in determining a project's final Feasibility score.

#### New Construction Sponsor Underwriting Scoring

This section explains how LAHD will apply the Sponsor Underwriting Guidelines for the Homes for LA NOFA's New Construction programs. As referenced above, the total Sponsor Underwriting points for New Construction is 15 points, being half of the total score for overall Feasibility. The 15 New Construction Sponsor Underwriting points shall be awarded as follows:

- Maximum five (5) points for Liquidity: Liquidity will be evaluated based on Audited Financial Statements. Applications where the Sponsor(s) can demonstrate six (6) months' cash-on-hand will receive one (1) point. For the remaining four (4) points, each Sponsor will be ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA, and based on the following criteria:
  - i. Composition and diversity of income sources
  - ii. Accounts receivable
  - iii. Accounts payable
  - iv. Debt service
  - v. Access to credit
  
- Maximum five (5) points for Development Team Experience: Sponsor's Development Team Experience will be graded on a curve, with each Sponsor ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA, based on staff resumes, organizational charts, and application narratives. Relevant experience should reflect the proposed project type. Development Team Experience emphasizes:

- i. Number of similarly complex publicly-financed affordable housing projects completed between project Sponsor's five (5) identified principals.
  - ii. Number of years of property management experience in deed-restricted affordable housing between project Sponsor's five (5) identified principals
  - iii. Number and complexity of projects currently in the Sponsor's pipeline either in development or pre-development with the applicant
- Maximum five (5) points for Health of Existing Properties: Health of Existing Properties will be graded on a curve, with each Sponsor ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA, based on the Sponsor's REO schedule and focusing on the following elements:
    - i. Percent of properties with positive net cash flow; 10-15% of the portfolio may have a moderately negative cash flow.
    - ii. Percent of projects with a Debt Service Coverage Ratio (DSCR) of at least 1
    - iii. Percent of projects with occupancy levels above 85%
    - iv. Percent of projects in foreclosure

#### Preservation Sponsor Underwriting Scoring

This section explains how LAHD will apply the Sponsor Underwriting Guidelines for the Homes for LA NOFA's Preservation programs. As referenced above, total Sponsor Underwriting points for Preservation is 10 points, being half of the total score for overall Feasibility. The 10 Preservation Sponsor Underwriting points shall be awarded as follows:

- Maximum four (4) points for Liquidity: Liquidity will be graded based on Audited Financial Statements. Applications where the Sponsor(s) can demonstrate six (6) months' cash-on-hand will receive one (1) point. The remaining three (3) points for the Liquidity category will be graded on a curve, with each Sponsor ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA, and based on the following criteria:
  - i. Composition and diversity of income sources
  - ii. Accounts receivable
  - iii. Accounts payable
  - iv. Debt service
  - v. Access to credit
- Maximum three (3) points for Development Team Experience: Sponsor's Development Team Experience will be graded on a curve, with each Sponsor ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA,

based on staff resumes, organizational charts, and application narratives. Relevant experience should reflect the proposed project type. Development Team Experience emphasizes:

- i. Number of publicly-financed affordable housing projects completed between project Sponsor's five (5) identified principals.
  - ii. Number of years of property management experience in deed-restricted affordable housing between project Sponsor's five (5) identified principals
  - iii. Number and complexity of projects currently in the Sponsor's pipeline either in development or pre-development with the applicant
- Maximum three (3) points for Health of Existing Properties: Health of Existing Properties will be graded on a curve, with each Sponsor in a given program ranked relative to all other Sponsors submitting applications to the Homes for LA NOFA, based on the Sponsor's REO schedule and focusing on the following elements:
    - i. Percent of properties with positive net cash flow to properties; 10-15% of the portfolio may have a moderately negative cashflow.
    - ii. Percent of projects with a Debt Service Coverage Ratio (DSCR) of at least 1
    - iii. Percent of projects with occupancy levels above 85%
    - iv. Percent of projects in foreclosure

### Project Underwriting Scoring

The second half of the overall Feasibility score is based on Project Underwriting. LAHD will use its Project Underwriting Guidelines to assess project feasibility. This section explains how LAHD underwriting staff will apply the Project Underwriting Guidelines to the Homes for LA NOFA applications.

LAHD underwriting staff will eliminate applications from consideration if they fail to meet LAHD's cash flow and debt service coverage requirements, which are stated in the Project and Sponsor Underwriting Guidelines. From there, the remaining projects will be ranked in separate pools corresponding to each Homes for LA NOFA program, using the following criteria:

- Sources of Funds and Sufficiency of Sources: LAHD underwriting staff will assess the complexity of the proposed capital stacks, the dependability of the funding sources, and the overall probability that the project will be able to complete its planned capital stack in the timeline provided by the applicant.
- Total Development Cost and Reasonableness of Uses: LAHD underwriting staff will extrapolate from internal benchmarks for major cost categories (e.g., LAHD's Fast Track Program) as well as cost data from other public affordable housing lenders (e.g., the State's Portfolio Reinvestment Program) to establish cost expectations.

Projects with cost categories that significantly deviate from LAHD’s cost expectations, either by being too high or too low, will result in additional review. LAHD underwriting staff will determine if additional information or narratives satisfy the deviations. LAHD also reserves the right to reach out to applicants for clarification.

- Cash Flow and Debt Service Coverage Ratio (DSCR): Projects must meet cash flow and DSCR requirements, as outlined in the previously published Sponsor and Project Underwriting Guidelines. Projects that do not meet the requirements will be eliminated from consideration. Projects with positive cash flow throughout the life of the project will rate more highly than projects with unsustainable cash flows.
- Due Diligence Report Findings (Phase I/II ESAs, Soils Report, Title Report): LAHD underwriting staff will consider any major issues raised by due diligence reports attached to the application. Projects with no major concerns will be rated most highly in this criterion, followed by projects with concerns but reasonable budgets and timelines for remediation, followed by projects with concerns but inadequate remediation strategies.

## II. Technical Corrections

### A. Cost Effectiveness Scoring Points

LAHD is issuing a technical correction regarding the NOFA Regulations Section 7.2: Cost Effectiveness.

LAHD is revising the Cost Effectiveness scoring for the Operating Assistance Program to reduce the number of available points from 20 to ten (10).

LAHD is revising the Cost Effectiveness scoring for New Construction Programs to eliminate the points available for lower Total Development Cost per Square Foot (TDC/sqft). All points in the Cost Effectiveness scoring criterion will instead be determined by requesting a lower LAHD loan than the maximum possible.

**NOFA Regulations Table 6: Operating Assistance Program Scoring** is hereby replaced with the following:

**Table 6: Operating Assistance Program Scoring**

<u>Criterion</u>	<u>Points</u>
<u>Demonstrated Financial Hardship</u>	<u>40</u>

<u>Stabilization Efforts to Date</u>	<u>10</u>
<u>Operational Stabilization Plan and Exit Strategy</u>	<u>30</u>
<u>% of Units Restricted as ALI/ELI</u>	<u>5</u>
<u>Nonprofits, CLT, and Shared Equity Tenant Ownership Priority</u>	<u>5</u>
<u>Cost Effectiveness</u>	<u>10</u>
<b><u>Total</u></b>	<b><u>100</u></b>

**NOFA Regulations Section 7.2: Cost Effectiveness** is hereby replaced with the following:

Section 7.2 – Cost Effectiveness

For New Construction Programs, the Cost Effectiveness score is accessed by requesting an amount below that project's theoretical maximum LAHD loan. LAHD will score this by assigning 0 points to projects that request their theoretical maximum LAHD loan.

- For programs where the maximum LAHD loan is 30% of TDC, projects will receive the maximum score of ten (10) points for requesting an LAHD loan equivalent to 25% of TDC. For each percentage point above 25% of TDC, the maximum score of ten (10) points will be reduced by two (2) points. For example, a project requesting an LAHD loan equivalent to 27% of TDC will receive six (6) points.
- For the ULA Alternative Models New Construction Program, where the maximum LAHD loan is 80% of TDC, projects will receive the maximum score of ten (10) points for requesting an LAHD loan equivalent to 70% of TDC. For every one (1) percentage point above 70% of TDC, the maximum score of ten (10) points will be reduced by one (1) point. For example, a project requesting an LAHD loan equivalent to 75% of TDC will receive 5 points.

For the ULA Operating Assistance Program only, the Cost Effectiveness criterion will be ten (10) points and will be based on per-unit LAHD loan request relative to the median per-unit LAHD loan request for this funding program.

**B. Accessibility Threshold Requirements**

LAHD is issuing a technical correction regarding the NOFA Regulations Section 5: Threshold Requirements, Documents, and Definitions. The NOFA Regulations incorrectly stated that ten percent (10%) of Rehabilitation Project units must be set aside for mobility accessible persons. Pursuant to LAHD's Voluntary Compliance Agreement (VCA) with the United States Department of Housing and Urban Development (HUD), the

requirement for Rehabilitation Project mobility accessible units is eleven percent (11%) of a project's units.

**Threshold Document 13** is hereby replaced with the following:

**Document 13: Accessibility Self Certification Form**

All applicants/developers shall complete and submit a signed Access Compliance Certification Form (CFC) with the Homes for LA NOFA Application, certifying that the project shall be designed, constructed, and thereafter maintained in compliance with all applicable federal, State, and local accessibility standards. The CFC certifies that, of the total number of units in each project, the following requirements will be met:

- For New Construction and Adaptive Reuse Projects: ten percent (10%) of the total number of units in each development shall be accessible to persons with sensory impairments and fifteen percent (15%) of the total number of units in each development shall be accessible to persons with mobility impairments.
- For Rehabilitation Projects: four percent (4%) of the total number of units in each development shall be accessible to persons with sensory impairments and **eleven percent (11%) of the total number of units in each development shall be accessible to persons with mobility impairments.**

If additional funding sources are braided into an LAHD-funded project and apply more restrictive standards for accessibility, the more restrictive standards will prevail.

Applicants seeking additional scoring priority through the Enhanced Accessibility Program (EAP) must also complete the EAP Checklist.