

Los Angeles Housing Department Term Sheet

United to House Los Angeles (ULA) - Alternative Models: New Construction

Program Description	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 Alternative Models: New Construction Program, which supports the construction of permanently affordable, tenant-led models of affordable housing. 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. LAHD expects to begin accepting applications on October 13, 2026. Sponsor Underwriting materials will be due on November 13, 2026. All other application materials will be due on December 4, 2026.
Available Capital Funds	Through this Homes for LA NOFA, LAHD will provide up to an anticipated \$104,084,806 as part of the United To House Los Angeles (ULA) Alternative Models New Construction 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.
Eligible Applicants	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. <u>Tenant Governance Experience</u> Development teams must also demonstrate experience supporting tenant governance models. Developers that do not have capacity themselves to support tenant governance must partner with a locally-based Nonprofit organization that has a demonstrated history of managing residential properties under tenant governance models. Partnerships may take the form of General Partnerships, Limited Partnerships or Limited Liability Companies or other Special-Purpose Entities (SPEs) where the experienced Nonprofit has an ownership stake in the SPE, or fee-for-service contractual agreements with a Nonprofit demonstrating experience in tenant governance. Partnership documents must provide an outline of roles and responsibilities between developer and partner organization(s).

Eligible Projects and Requirements	<u>Eligible Project Types:</u> • Projects must be new construction, including ADUs, and/or adaptive reuse of affordable housing. • Projects must not be applying for or have already received 9% or 4% low-income housing tax-credits <u>Project Size:</u> • Projects must have 40 or more units (new construction) <u>Labor Compliance:</u> • Must pay prevailing wage • All projects with 40 or more units must comply with the City of Los Angeles Department of Public Works Master Project Labor Agreement (PLA) or a specific ULA Measure-wide PLA, negotiated with mutual agreement between the Los Angeles/Orange Counties Building and Construction Trades Council and the Southern California Association of Nonprofit Housing (SCANPH), and approved by the Los Angeles City Council. <u>Outside Leveraging:</u> • Leveraging of additional public sources is allowed so long as the outside funding sources do not preclude conversion to tenant ownership, permanent affordability, or any other requirements in the ULA measure and ordinance. • These projects are not to be paired with 9% or 4% low-income housing tax credits. <u>Project Resale:</u> • Resale of rental property is restricted to Nonprofits, Limited Equity Housing Cooperatives (LEHCs) and/or Community Land Trusts (CLTs)
Affordability Requirements and Rent Schedules	<u>Affordability Requirements:</u> • A minimum of 20% of the total project units must be restricted to Acutely Low Income (ALI) and/or Extremely Low Income (ELI) Households (15% Area Median Income (AMI) and/or 30% AMI and below, respectively). • Up to 20% of the total project units may be unrestricted with respect to rents and household incomes if necessary to make the project financially feasible in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4), but all other units must be restricted to be affordable to Lower Income Households (80% AMI and below). <u>Rent Schedules:</u> • All deed restricted affordable units must be affordable in perpetuity

	with exceptions for projects needing 55-year covenants for underwriting feasibility, with AMI limits set at the project rather than unit level, and with a suggested average of 60% AMI across each project, subject to City Attorney approval of the regulatory covenant. • LAHD will apply HUD/LIHTC income targeting and rent schedules, with the exception of when the project or units in the project are subject to regulatory agreements that require Health and Safety Code income targeting and rent schedules.
Eligible Activities	• 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 Homes for LA NOFA Regulations; • Construction and financing costs, including but not limited to, demolition, off-site public improvements, construction bonds, general contractor and subcontractor payments including overhead, profit, and general conditions; • Soft costs related to the construction and development of the project, including conventional financing, design, program, financing, and entitlement processing, developer fees, legal fees, and professional fees; • Relocation and related expenses; • Costs associated with market-rate units provided only for the purpose of increasing project financial stability in accordance with Los Angeles Administrative Code Section 22.618.3(d)(1)(ii)(b)(4)
Ineligible Activities	• Substitution for any committed permanent project financing source, unless the substitution was approved at the time of commitment. • Costs associated with units not funded by the City of Los Angeles. • Reimbursement for project costs that have been paid by another project funding source, unless the reimbursement was approved at the time of commitment. • Travel expenses, food, or meals. • Application fees for other project financing. • Office or general organizational expenses. • Costs that would normally be paid by the Limited Partnership or Limited Liability Company. • The payment of delinquent taxes, fees, or charges on properties.

Loan Assistance and Term Limits	Limit: The maximum loan limit is up to 80% of the Total Development Cost (TDC). Type: Predevelopment, construction (including reimbursement of acquisition and predevelopment costs) and Permanent financing. LAHD will have the discretion to structure its loan products based on market needs, including but not limited to residual receipt loans, other types of subordinate loans, or mezzanine 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. Term of Loan: Fifty-seven (57) years (i.e. a 24-month construction period followed by a 55-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 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 regulatory documents, so that the project as underwritten at closing is financially feasible and compatible with such program requirements. 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. The LAHD will, however, generally subordinate its Deed of Trust, with right to cure, to conventional loans and other public lenders.
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Threshold Requirements	The threshold requirements are enumerated in the table below:	
	Threshold Item	Required Documents
	1: Project demonstrates Financial Feasibility	Document 1: Completed UNOFA Application and Financial Proforma;
	2: Project sponsor must disclose potential conflicts of interest and legal/financial liabilities	Document 2: 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);
	3: Project must have Site Control and Clean Title	Document 3: 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;
	4. Project sponsor must submit documents for Sponsor Underwriting	Document 4: Project sponsor must submit organizational documents of the sponsor including: Project sponsor must submit Audited Financial Statements (AFSs) with lookback period of three (3) years, and a Real Estate Owned (REO) Schedule; See Section 5, Document 4: Submission of Documents for Sponsor Underwriting in the Homes for LA NOFA Regulations for a full list of items to be submitted for Sponsor Underwriting;
	5: Project site valuation must be supported by an appraisal	Document 5: Project sponsor must submit a certified appraisal;
	6: Project sponsor must commission Environmental Site Assessments (ESAs) and remediate hazards	Document 6: Project sponsor must submit recent Phase I and/or Phase II ESAs, however, a full Phase I ESA is not required for Single Family Housing Rehab but is required for

	Multi-family Housing Rehab (5 units or more) and non-residential properties per 24 CFR 58.5(i)(2)(ii);
7: New Construction projects must undergo evaluation of geo-technical engineering of subsurface soils	Document 7: Project sponsor must submit a Soils Report;
8: Projects involving demolition must identify lead and asbestos hazards	Document 8: For projects built prior to 1978, projects involving demolition, a lead and asbestos hazards assessment is required. If the building was built before 1978 and the intent is to completely demolish the building, the applicant may submit a letter in lieu of a lead test and/or asbestos report;
9: Projects must comply with LAHD architectural standards	Document 9: Project sponsor must submit architectural plans and an electronic copy of the Architect's License. Applications opting for the Enhanced Accessibility Program points must include compliant features as part of the submission. Project Sponsors must submit architectural plans that comply with all the requirements outlined for the type of project proposed: - New Construction Requirements;
10: Project sponsor must provide a self-score for the Homes for LA NOFA funding program for which it is applying	Document 10: 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;
11: Project sponsor must provide relocation assistance to projects involving displacement of qualified households	Document 11: Project sponsor must provide a Relocation Assistance and Construction Phasing Plan, with the exception of the Tenant Habitability Program, if the project involves

	displacement of qualified households; this relocation plan needs to be done by a City approved 3rd party. Project sponsor providing relocation assistance through the Tenant Habitability Program must submit a Tenant Habitability Plan;
12: Project must comply with Housing Crisis Act (HCA), Resident Protection Ordinance (RPO), and United to House LA (ULA) replacement requirements	Document 12: Project sponsor must submit a Replacement Unit Determination (RUD);
13: Project must comply with Accessibility Standards	Document 13: Accessibility Compliance Self-Certification Form and optional Enhanced Accessibility Program (EAP) Checklist;
14: Sponsor must commit to timely completion of work	Document 14: Sponsor must submit a Milestones Commitment Letter;
15: Sponsor must certify compliance with LAHD business policy and general City requirements	Document 15: Sponsor must submit an Assurances and Conditions via the UNOFA platform;
17: For Permanent Supportive Housing (PSH) projects only, sponsor must demonstrate commitment of operating/rental subsidy	Evidence of committed Project-Based Vouchers (PBVs) and/or other long-term operating subsidy;
21: For ULA projects with at least 40 units only, construction must comply with a Project Labor Agreement	Document 21: 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;
22: For ULA Alternative Models projects only, Project must address neighborhood level needs	Document 22: Project sponsor must submit a Statement of Public Purpose;

	23: For ULA Alternative Models and ULA Acquisition & Rehabilitation projects only , Project must address racial disparities	Document 23: Project sponsor must provide a Racial Equity Commitment;												
	24: For ULA Alternative Models and ULA Acquisition & Rehabilitation projects only , Project incorporates tenant governance and development team has tenant governance experience	Document 24: Project sponsor must submit a Resident Engagement and Leadership Plan; the sponsor must also show 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;												
	25: For ULA Alternative Models projects only , Project sponsor must engage community to identify environmental hazards beyond baseline Environmental Site Assessments (ESA)	Document 25: Project sponsor must submit an Enhanced Environmental Health Commitment narrative for any projects located in an area at 80th percentile or above in the CalEnviroScreen 4.0;												
Evaluation and Scoring Criteria	LAHD underwriting staff will eliminate applications from consideration of the ULA Alternative Models New Construction Program if they fail to meet LAHD’s developer capacity requirements, if they fail to meet cash flow and debt service coverage requirements OR if they fail to receive at least eight (8) points in Feasibility: Sponsor Underwriting. Scoring for this criterion is described under Section 3.20 and 7.1 of the 2026-2027 Homes for LA NOFA Regulations.													
	There will be a first priority pool within this program for CLT and CLT partnership applications.													
	If the project is determined to meet Threshold Criteria, the project will be subject to the below scoring table:													
	<table><tr><th>All New Construction Base Scoring</th><th>Points</th></tr><tr><td>Feasibility: Sponsor Underwriting</td><td>15</td></tr><tr><td>Feasibility: Project Underwriting</td><td>15</td></tr><tr><td>Site Efficiency and Cost Effectiveness</td><td>25</td></tr><tr><td>Entitlement Readiness or By-Right/Ministerial Projects</td><td>15</td></tr><tr><td>Contributions of Land at Less Than Fair Market Value (FMV),</td><td>5</td></tr></table>		All New Construction Base Scoring	Points	Feasibility: Sponsor Underwriting	15	Feasibility: Project Underwriting	15	Site Efficiency and Cost Effectiveness	25	Entitlement Readiness or By-Right/Ministerial Projects	15	Contributions of Land at Less Than Fair Market Value (FMV),	5
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Public Land or Land from Faith-Based Orgs	
Priority Geographies (TCAC Opportunity Maps)	5
Priority Populations (3BR units or Special Needs or ALI/ELI)	5
Enhanced Accessibility Program	5
TOTAL BASE SCORE	90

All ULA Alternative Models New Construction projects will be subject to the following scoring requirements:

ULA Alt Models New Construction*	Points
Affordability: Option A with Deeper Affordability with 50% Average AMI for the Deed-Restricted Units Only	5
Option B with Forgoing Market-rate Units for Deed-Restricted Moderate Income (80%-120% AMI) Units	
Amenities	5
Previous Commitment of Funds (e.g., Philanthropic Funds) or In-Kind Contributions	20

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