Appendix A
Multifamily Affordable Housing Full Program Guidelines

Overall Objective

Guidelines for this program area should remain consistent with the ballot measure's language and funds from this area of ULA's program should be dedicated to efficiently produce affordable units.

Intention Setting: Equity

United to House LA was created to make Los Angeles more equitable. For that reason, the final guidelines of the Multifamily Affordable Housing program area should be designed with racial equity in mind and engage in the following practices:

- Anti-displacement/eviction measures
  - For new construction, production of more units than demolishing at a ratio of 2:1
  - Developers should consider income targeting and household sizes of returning population, if building units for an existing population to return to.

- Stakeholder Engagement
  - The ULA Coalition would like the community to feel like they are part of the projects this program creates, that they are informed, and do not feel intruded upon
  - Particularly, the Coalition wants to listen most to the voices of the populations these developments are serving, to welcome these communities to be part of the process, create spaces that are comfortable to them, and include them in design of the neighborhoods
  - For these reasons, these guidelines should require projects to submit community engagement plans, that may include:
    - Contacting community-based organizations
    - Community meetings
    - The development of tools to keep community members informed about projects and their progress
  - The Coalition is interested in partnering with LAHD to design requirements that are not so onerous that they slow down development, but can still ensure projects financed by ULA are sensitive to the communities they are in.
    - We hope to have more meetings with the Department on this topic moving forward.
- Commitment to desegregation
  - Guidelines that encourage construction of affordable housing in high-opportunity areas, while keeping a balanced allocation of funding throughout the City, including in disadvantaged communities

Eligibility

- Applicants must demonstrate a history of affordable housing development and/or affordable housing property management experience to be eligible for Affordable Housing Program funds
    - CLTs and Limited Equity Housing Coops can gain necessary experience by partnering with an experienced non-profit.
    - LAHD can develop other experience requirements as needed.

- Developers that can construct minimum 40-unit buildings through tax credit program that are 100% affordable, matching Measure ULA's ballot measure language on eligibility criteria

- LAHD should create tailored eligibility criteria depending on funding process (i.e. more strict for over-the counter funding than competitive)

Delegated Authority

- City Council should be consulted only for approval of program guidelines in collaboration with the Citizens Oversight Committee.

- Thereafter, the Los Angeles Housing Department should have fully delegated authority to issue Notice of Funding Availability, accept applications, and make funding/award decisions without City Council approval.

Local Commitment, Funding Frequency, and Subsidy Amounts

- Because Measure ULA represents a new injection of funds outside of the current affordable housing ecosystem, this is a chance to create a nimbler system for financing these projects.

- The funding from this program area should be used as a flexible local commitment, either to fully fund projects locally or be leveraged more heavily at the state level, depending on the project.
    - Generally, projects that are competitive for state programs would expect to leverage local funding and regulations could be tailored for that
    - Projects that are not as competitive would have higher subsidy at local level because they're less suited to gain money at state level
        - Projects should still be vetted to meet City housing priorities

- Whenever possible, funding should be committed over the counter for projects, similar to how the Community Redevelopment Agency was structured, based on specific and non-discretionary criteria determined by LAHD. Projects that do not meet the criteria should have an opportunity to obtain funding awards through a separate competitive process.

- If a NOFA model is used, LAHD should release it with calendar regularity, at least twice per year. Schedule should be consistent year to year. Regulations should be opened for public comment at least once per year.

- If ULA money is injected into the Affordable Housing Managed Pipeline, scoring which awards projects for having other committed funds should be eliminated, to keep true to ULA's goal of utilizing its funds as an early local commitment.
    - As an early source of funding, this program area could also be dedicated to acquisition/pre-development costs.
        - Could save money on interest and extreme organizational strain
        - LAHD would have to work through how best to vet applications, NYC, SF manage to do this.

- To incentivize streamlining and ensure ULA is productive quickly, maximum subsidy amounts should be set high. Developers can then take ULA money and then quickly move on to tax credits and construction. A similar structure in San Jose set subsidy amounts at $350,000 per unit.
- This would have to be adjusted annually for inflation and to address other systemic changes to cost, like that of building materials. LAHD could also consider flexible loan limits based on depth of a project's affordability–similar to HCD's loan limit structure. LAHD might also include a per-unit or per-bedroom funding boost for projects in high opportunity neighborhoods.
    - Rather than the City giving an award based on the need, LAHD could fully fund a project with the expectation that the developer will apply for other leveraged sources. Developers would identify what leverage source would fit the project. If successful, LAHD can then reduce the local amount.
    - In order to balance both streamlining and leveraging, LAHD could request that developers apply to at least one round of other funding. For example, if the developer has one unsuccessful application for other sources, then the developer gets a full local subsidy amount, up to $50 million maximum (approximately 140 units @ $350,000 per unit).
        - Because homelessness is an emergency, projects with at least 40 units of permanent supportive housing could be absolved of any leverage requirement so that they can proceed as quickly as possible.
        - LAHD would also have to develop requirements to ensure that this supportive housing is high quality, including things like healthy case manager ratios, higher reserves, etc.To support efforts to obtain maximum state resources, LAHD could contract with a third party to vet projects for leveraging viability, readiness, state-level competitiveness, development timeline, etc. and make funding decisions based on this information.
    - This system could allow greater local subsidy to move projects through faster, while ensuring that state funding for the City of LA is not left on the table.
- To ensure the City continues responding to its homelessness crisis, LAHD should consider additional incentives to ensure adequate development of supportive housing with these funds, such as scoring bonuses or set asides.

Approvals

- LAHD could develop a pre-approval process rather than re-underwriting a developer for every round.
  - For example, if projects meet a certain set of general requirements, they could be pre-approved for fast track/over the counter processing. Non-pre approved, or projects that don't easily fit those criteria would go through more rigorous approval.
  - At a minimum LAHD should only require compliance checks once or twice yearly per organization. Once compliance is approved, this should stand for a calendar year, as opposed to being checked on a per deal basis.

Funding for Projects on Publicly Owned Land

- If the City is disposing of publicly owned land through a Request for Proposals, the land awarded should come with funding from this program area to minimize risk for the project. This will also help streamline the development timeline for the given project.

Gap Funding and Accelerating the Pipeline

- ULA could help institutionalize the gap funding that LAHD has done in the past, providing more funding for projects that previously received awards and need more money to begin or finish construction.

- ULA funds could have a gap funding set aside, to be approved on a rolling basis at any time during the year, not through rounds of funding.

- City would have to develop strategies to vet projects and ensure gap financing is invested wisely.

Targeting and Rental Subsidy

- In the event there is a lack of project based vouchers, ULA money from this program area should be coupled with funding for operating subsidies. This is particularly important when LAHD requires the construction of deeply affordable units.

- This coalition recommends that if the Department mandates a certain percentage of dollars go to units that are below 30% AMI, the Department should ensure there is a corresponding allocation for operating subsidies. It would be the City's responsibility to couple production dollars with operation dollars. This step is also helpful for streamlining.

- The ULA coalition has submitted a recommended program for ULA's operating subsidies money, which pools funds into an insurance pool, coupled with tenant-based voucher assistance. That program can be reviewed here. The coalition's draft guidelines for operating assistance are here.

- To the extent that property subsidies are funded by COSR due to lack of vouchers, the COSR should not be included in total development cost calculations. Developers turn to COSR when PBVs are not available. COSR increases total development costs. The shortage of these vouchers should not count against high cost test calculations.

Draw Funding, Transfer of Funds, & Construction Loans

- Mayor Bass's administration has suggested they will attempt to revamp the City's system for draw funding.

- If draw funding can be allocated efficiently, LAHD could set up a pot of funding for providing construction loans utilizing money from this ULA program area.

- This could fund construction at a lower interest rate (3%) than the market provides and help projects save money. The fund would also become renewable as loans were paid back.

- LAHD could set up a maximum loan amount at its discretion.

- Whenever possible, City should transfer funds electronically.

Conduit Bonds

- LAHD should set up a process to allow developers to acquire conduit bonds outside of the city, under a certain threshold. Staffing limitations may cause issues for processing bonds associated with new construction created by ULA funds