Appendix B
Alternative Models for Permanent Affordable Housing Full Program Guidelines

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The following attachments are to be developed by LAHD

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4. Ownership project application, including development budget, unit mix, affordability levels, income and sales price chart, building conceptual plans, funding plan with amount requested from UHLA, sales plan
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Article 1. General Overview

Section A. Introduction and Context

The November 2022 Citizens Ballot Measure ULA, which established the Los Angeles Program to Prevent Homelessness and Fund Affordable Housing ("House LA"), was written by affordable housing practitioners and successfully secured the support of 58% of voting Angelinos. The measure establishes robust funding to implement an array of homelessness prevention, tenant protection, housing preservation and housing production strategies. Among these approaches, House LA's authors first sought to fully fund traditional approaches to affordable housing production in order to maximize federal and state resources that can be brought to Los Angeles. Anticipating that House LA's transfer tax mechanism will then create ample resources above and beyond those that will attract leveraged resources, the authors have directed an identical percentage of the annual tax revenue to alternative models of housing production, prioritizing scale, speed, flexibility, longevity of public benefit through permanent affordability, and an enhanced role of residents in their own housing.

These guidelines are designed specifically for this new House LA program, Alternative Models for Permanent Affordable Housing.

Since the Tax Reform Act of 1986, the Low Income Housing Tax Credit program ("LIHTC") has formed the foundational financing of most affordable housing production. It has some beneficial and detrimental effects. On one hand: the program has created a cadre of seasoned affordable housing developers and allied professionals to produce and manage such housing; in California, it has incentivized various state and local housing funding programs to supplement the LIHTC equity; and it has generated several million affordable housing units across the country.

On the other hand, there are many undesired consequences of the heavy reliance on this program. LIHTC does not come close to financing the affordable housing needed to serve income-qualified households and does not provide operating support in the long-term. And LIHTC does not fully fund projects: in California, developers must cobble together four to five sources of funding to supplement the LIHTC equity, making the endeavor inefficient and time consuming. Additionally, in Los Angeles County, due to the divergent income and rent growth trends over the last 30-40 years, the program income and rent levels do not serve the truly low income nor the not quite moderate income. At the same time, over-reliance on LIHTC has substantially reduced or eliminated other affordable housing options like public housing, and community ownership strategies like Community Land Trusts ("CLTs") and Limited Equity Housing Cooperatives ("LEHCs"); and even though California imposes a 55-year affordability covenant on LIHTC projects, given the size of the subsidy needed to produce a unit, perpetual affordability is a more appropriate restriction but legally and regulatorily difficult to attain. Finally, there is an absence in resident leadership in the production, management and ownership of such housing, impairing the relevance of community aspiration and resident governance in their home and neighborhood.

To address this array of concerns, House LA allocates 22.5-25%[1] of programmatic funding to alternatives to the LIHTC model. These alternatives, based on the measure's language and these guidelines, should include the following elements (each of which is further detailed in the following sections of these guidelines).

- Certain: In order to sustain production scale, the City of Los Angeles Housing Department ("the Department") will award funding based solely on meeting program thresholds through a rolling application process that is non-competitive. However, in the first three years post-adoption of House LA Permanent Program Guideline, the Department will award funding in two Call for Projects per year with scoring that prioritizes between projects. Unsuccessful applications can opt in to stay in queue for the next round or reapply with a different proposal.
- Fast: Sole public financing source for all phases of project development, possibly paired with private equity, debt and/or other non-competitive funding sources as appropriate, and includes operating support as appropriate/necessary;
- Flexible: Range of affordability, reaching deeply to both meet housing affordability needs of ALI and/or ELI households, and higher income units to cross subsidize that affordability when financially beneficial;
- Perpetual: Affordability covenant does not have an expiration date; and
- Resident leadership: Residents have a meaningful voice in the management and ownership decisions of the properties where they live.

Since a scaled-up approach to resident management and resident ownership is a new approach for the City of LA, special sections of these guidelines are dedicated to this concept. Implementation of these strategies will be complemented by House LA's Capacity Building program (SEC.22.618.3(d)(1)ii.d.), which will provide Capacity-Building funding for CLTs and other organizations that serve and have representative leadership from Disadvantaged Communities and facilitate tenant ownership., and which will support developers, community partners, property managers and residents with implementing the appropriate resident leadership plan as per the type of management and ownership model selected for the project.

Section B. Purpose and Scope

The purpose of these Program Guidelines is to implement House LA Program Section 22.618.3(d)(1)ii.b. of House LA, which establishes the Alternative Models for Permanent Affordable Housing Program to support the construction of new supportive and affordable rental and ownership housing of 40 units or more, or pay the principal and interest on debt incurred for such purpose. These program funds may also

[1] Section 22.618.3(d)(1)(ii).e of Measure ULA establishes a Program Stabilization Fund: "Five percent (5%) of the House LA Fund-Programs shall annually be allocated to address periodic revenue shortfalls for House LA Affordable Housing and Homelessness Prevention Programs that require a consistent revenue stream, as advised by the Department and the Oversight Committee and subject to City Council approval, to include project-based Operating Assistance, Income Support for Rent-Burdened At-Risk Seniors and Persons with Disabilities, Eviction Defense, and Tenant Outreach & Education programs, as those terms are used in this section. When the balance of the Program Stabilization Fund reaches two hundred million dollars ($200 million), excess revenue shall be evenly divided between and supplement the Multifamily Affordable Housing program in Section 22.618.3(d)(1)(ii).a., and the Alternative Models for Permanent Affordable Housing program in Section 22.618.3(d)(1)(ii).b. of this Code. If the Program Stabilization Fund falls below two hundred million dollars ($200 million), it shall be refunded to that amount before support to these two affordable housing programs may resume."

be used for acquisition/rehabilitation, adaptive reuse, for land leasing costs, for operating expenses, for any or all phases of project development, and/or to pay principal and interest on debt incurred for such purpose.

See Attachment 1 for a summary of program requirements detailed in Measure ULA.

Section C. Commitment to Racial Equity

House LA's Goals include: "Deploying programs and policies funded through this initiative in such a way as to address racial segregation, dismantle racially exclusionary practices, and promote racial equity in housing, academic, and economic opportunities." (SEC. 22.618.1(f)). In alignment with this purpose, the Alternative Models for Permanent Affordable Housing Program seeks to enhance racial equity through resource distribution, implementation strategies, and outcomes. For example, scoring prioritizes development in High Opportunity neighborhoods such as those that have been historically exclusionary, as well as areas that have been subject to disinvestment and high levels of displacement. Per Measure ULA, the Department and the Citizens Oversight Committee (COC) must incorporate racial equity metrics in public program reports and evaluation and adjust implementation accordingly.

Article II. Program Requirements and Procedures

Section A. Eligible Projects

In order to contribute to meeting House LA's overarching program goals, and in accordance with House LA's requirements for the Alternative Models for Permanent Affordable Housing Program summarized above, project eligibility will be based on the following:

New Construction Projects:

- Must be 40 units or above.
- On the portfolio level, it is the goal that at least 10% of the program units as measured on a two-year period basis will serve special needs populations, including people who are formerly homeless, people with mental and/or physical disabilities, survivors of domestic violence, transitional age youth, and reunification families. In any year when the Department determines that there is no or limited operating support and/or rental vouchers available for such populations, 100% of the program funds can go towards permanent affordable housing, with the intention to meet the portfolio-wide goal in subsequent year(s). In those years when such operating support is available (including but not limited to operating resources funded via House LA), the Department can fund such projects and units to the extent permitted by the available operating funds up to the special needs units shortfall accumulated in prior years. Every even-numbered year, the Department shall report to the COC on the percentage share of program units constructed in the prior two years that have been reserved for persons with special needs, and this analysis will be used by the Department to identify special needs target numbers and resource needs for each program year.
- Eligible Projects must permanently covenant at least 20% of the units for ELI and ALI households. Units serving the special needs populations may also count towards the minimum 10% special needs goal. Up to a maximum of 20% of units can be free of income and rent restrictions to cross subsidize the units that generate very little rent for the purpose of covering operating costs.

Acquisition/Rehab and Adaptive Reuse Projects:

- No minimum project size
- The same special needs goals and income restrictions described above for new construction applies.

Section B. Eligible Applicants

- Housing units shall be developed by development teams which demonstrate the following experience. Affordable housing developers ("developers") must have at least three completed projects in the prior ten years with A) building typology comparable to the proposed project, B) project financing and affordability covenants equivalent to or more complicated than the proposed project, and C) property management track record demonstrating positive cash flow, current building repairs and maintenance and compliance with financial and affordability audits. The organization may use the experience of its principal to satisfy this requirement.

- Development teams must demonstrate the capacity to support ownership alternatives and/or tenant management models. Developers that do not have capacity themselves to support ownership alternatives and/or tenant management models must formally partner with a community-based organization, CLT or other organizations with tenant leadership experience. Developers must demonstrate having this capacity themselves or having a formal partnership as detailed in Section E by including in their funding application to the Department either (a) an executed contract with a community organization (as defined in Section E) that details relevant capacity-building and technical assistance services to guide the developer through the tenant management and/or ownership process, and/or (b) a Letter of Recommendation from a ULA-funded Capacity Building entity that details how the developer possesses relevant capacity can count toward this requirement.
- Development team must include an architect with experience designing high-quality housing developments, with attention to integrating and relating to various uses including community-serving retail and services, gardens and/or open space, climate resilience elements, and transit-oriented features.
- Community Land Trusts (CLTs), or Limited-Equity Housing Cooperatives (LEHCs) may qualify for funding from this initiative without demonstrating a history of affordable housing development and/or affordable housing property management experience by (a) partnering with experienced non-profit organizations and/or developers, or (b) showing evidence of staff capacity adequate to manage and administer the project.
- **Developer and Community Organization Partnership**: Developers that do not have capacity themselves to support ownership alternatives and/or tenant management models must partner with a locally-based non-profit organization that (i) has a demonstrated history of advancing or advocating for community-oriented and/or community-controlled development, or facilitating community input into local development projects; and (ii) is a non-profit organization advancing tenants rights, a labor union or workers center, or a Community Land Trust. Partnership agreements should show (i) allocation of share of the developer fee, cash flow, and net sale proceeds and (ii) outline of roles and responsibilities between developer and partner organization(s) – for example, agreement should show how tasks related to resident participation in management and ownership will be allocated.

Housing units shall be owned and/or managed by a public entity, a local housing authority, a CLT, a LEHC, or a non-profit entity which demonstrates a history of affordable housing development and/or affordable housing property management experience as detailed below. A formal partnership as detailed in Section E can count toward this requirement:

- Owners and/or managers must demonstrate the capacity to support ownership and/or tenant management models. A formal partnership as detailed in Section E, an executed contract with a community organization (as detailed in Section E) that details relevant capacity-building and technical assistance services to guide the developer through the tenant management and/or ownership process, and/or a Letter of Recommendation from a ULA-funded Capacity Building entity that details how the developer possesses relevant capacity can count toward this requirement.

- Owners and/or managers must demonstrate asset management capacity by describing asset management staffing plans that show how they manage the financial performance and capital needs of their existing and future assets, including timely performance of capital needs assessments, maintaining adequate replacement reserves and timely collection of tenant rents if applicable.
- Owners and/or managers must demonstrate program and property management capacity by confirming that:
    - Resident selection procedures that meet the fair housing requirements
    - A monitoring plan to ensure meeting regulatory compliance
    - A plan to ensure that properties in the organization’s portfolio are transferred to another Eligible Sponsor that will maintain long-term affordability if the organization shuts down, is determined to be out of compliance, or is otherwise no longer a fit and willing owner.
- Owners and/or managers of properties to be managed as affordable homeownership units must also demonstrate that they have a plan for managing resales, including a resale formula to determine the new sales price.
- A CLT or a LEHC without a demonstrated history of affordable housing development and/or affordable housing property management experience may qualify by (a) partnering with an experienced non-profit organization or (b) showing evidence of staff capacity adequate to manage and administer the affordable housing project.
- **Owner and Community Organization Partnership**: If the owner is different from the developer, the same requirements for partnership between “Developer and Community Organization Partnership” detailed above apply to the owner.

Section C. Eligible Costs

Eligible project costs include:

- Acquisition costs during predevelopment
- Predevelopment costs, including costs for 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)[2]
- Construction and rehabilitation cost
- Soft costs as related to the construction and development of the project, including conventional financing, architecture & engineering (A&E), program & funding (P&F/budget table), entitlement processing, etc.

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[2] https://housing2.lacity.org/wp-content/uploads/2022/09/2022-AHMP-Regulations-final-Clean-9.16.2022v2.pdf

- Ongoing annual operating cost and principal & interest if required, but only for special needs and ALI & ELI that require operating assistance

Section D. Assistance Terms and Limits

The following are terms and limits for the City's commitment of House LA funding to the project. LAHD subsidy may be split between loan and grant, based on analysis of anticipated residual receipt payments that the project will be able to carry. Pre-construction loans can subsequently roll into construction/permanent loan financing.

- **Maximum loan/grant size**: $50,000,000 in 2022 dollars to be adjusted by annual CPI, unless approved by City Council
- **Minimum loan/grant size**: $1,000,000 to be adjusted by annual CPI
- **Maximum loan/grant per unit**: $600,000 for ELI & ALI; $500,000 for VLI: $400,000 for LI to be adjusted by annual CPI. Due to the unpredictable global market in the purchase of materials, other methods of adjusting loan limits due to construction cost changes may be used.
- **Pre-construction loan size**: Based on evidence and proposed budget, not to exceed 25% of total project loan request, 0-1% simple interest, deferred for 24 months with one 12 month extension.
- **Permanent loan**: 3% annual percentage rate (APR) simple interest, deferred for up to 45 years, to be repaid consecutively not concurrently with any private financing. Loans will allow for transfer to a legal entity owned by and/or controlled by residents. 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.
- **Maximum developer and community partner team fee**: The lesser of 15% of hard and soft costs (excluding land cost) or $2.5 million for projects at or under 100 units. For projects over 100 units, development teams may receive an additional $10,000 per unit. Due to this program's requirement for resident leadership, development teams will also receive an additional fee of $500,000 per project, which may be retained by the developer or utilized for community partnership expenses. Changes to these numbers must be approved by the House LA Citizens Oversight Committee.
- **Development Contingency**: The Department to set aside an extra 10% of loan amount and to be disbursed at its discretion in response to legitimate unexpected cost overrun.
- **Permanent affordability covenant**

Section E. Threshold Requirements

This program is intended in future years to be a rolling application/award program, but during the first three years of the program following City Council adoption of these House LA permanent program guidelines, the Department will release two Call for Projects annually. Qualified projects will be scored, underwritten and notified of funding decisions within 90 days. Projects that do not meet these threshold requirements shall not qualify for funding through the Alternative Models of Permanent Affordable Housing Program.

Projects must meet the following thresholds to receive funding:

1. **Affordability Mix**: Affordability mix is determined in collaboration with the community partner, ULA affordability requirements apply. Per Measure ULA Section 22.618.3(d)(1)(a), in order to prevent the displacement of households that qualified for a unit upon initial occupancy but thereafter exceed the income limits, the developer agrees not to displace over-income residents. However, the owner may charge these over-income households a rent (or maintenance fee in the case of a cooperative) up to 30% of their current income levels, as allowable under current local and state policies.
2. **Family unit mix minimums**: Project design addresses the mixture of family unit needs at the neighborhood level as detailed in the most recent COC's Housing Needs Assessment and the project's Statement of Public Purpose, per Article III, Minimum Requirements for Resident Engagement, of these program guidelines
3. **Unit size minimums**: Apply TCAC minimums and account for the unit size needs at the neighborhood level as detailed in the most recent COC's Housing Needs Assessment and the project's Statement of Public Purpose
4. **Site Resources and Amenities minimums**: Apply TCAC minimums regarding open space, community room, washers/dryers, and include in the project's design the needed resources and amenities as detailed in the most recent COC's Housing Needs Assessment and the project's Statement of Public Purpose
5. **Building Energy and Efficiency Standards**: Title 24 requirements minimum
6. **Parking**: consistent with current zoning, Density Bonus, or state law
7. **Financial Planning**: Starting minimum Debt Service Coverage Ratio (DSCR) of 1.15 and maximum of 1.3
8. **Resident Leadership Plan**: Meet the requirements of Article III, Minimum Requirements for Resident Engagement, of these program guidelines to maintain the physical, financial, and community health of the property.
9. **Developer, Owner, and Community Partnership**: If required by Article II, Section B, the developer and the owner/manager must present a partnership agreement or Memorandum of Understanding (MOU) with a locally-based non-profit organization ("community partner") as detailed in Section B, Eligible Applicants.
10. **Property Management Experience**: Property managers must have experience with at least five projects, and must present a statement clarifying how the manager will directly and meaningfully engage resident owners in property management activities. Additionally, special needs housing may have additional property management requirements. In each case, senior leaders in a property management organization may use their professional experience to meet this threshold. Partnering with an organization with tenant management experience, such as a community-based organization, CLT, or an established management firm, can count toward this requirement.

In addition to and superseding project selection based on the above threshold requirements:

- In the years when long-term special needs rental vouchers are available, the Department will prioritize special needs projects – with a minimum of 25% of units reserved for people with special needs, or 50 special needs units, whichever is smaller – as a threshold requirement until such vouchers are all committed.

Section F. Application and Award Process

The Department will apply the following assessment and scoring criteria to determine funding priority and award project accordingly. The Department will submit a summary report to the House LA Citizens Oversight Committee annually on all Project applications, whether approved or denied, and if denied, the reasons for denial.

Criteria ID	Points (55 max)	Scoring Criteria Description
A	10	Located on public land
B	5	Experience in leading required resident engagement activities
C	4-5	Experience with a functioning resident ownership building [5 points] or a building that is in transition to resident ownership [4 points]
D	2-3	Located ¼ mile of High Quality Transit [3 points], or within ½ mile of High Quality Transit [2 points]
E	3-4	Located in Highest Opportunity Area [4 points], or in a High Opportunity Area [3 points]
F	2-3	Located in Extreme or High Displacement Risk Area [3 points], or in Elevated or Probably Displacement Risk [2 points] for 0% to 50% of AMI households
G	7-9	Affordability mix → Project proposes a clear and financially-feasible strategy for resident **ownership** at an average affordability of deed-restricted units at 60% AMI and below [9 points] or 70% AMI and below [7 points]; or, for **rental** projects, an average affordability of deed-restricted units for rental projects if using the TCAC rent schedule at 50% AMI and below, or for rental projects if using the HCD rent schedule at 60% AMI [7 points] (Note that the allowable 20% market units are not included in calculation of the average.)
H	3-4	Project incorporates one [3 points] or two [4 points] or three or more [5 points] amenities that are above TCAC minimums, including but not limited to wellness, recreation, commercial and/or cultural amenities that enhance community livability and sustainability, such as affordable groceries, open space and and nearby (¼ mile or less) access to a public elementary, middle, and/or high school

Criteria ID	Points (55 max)	Scoring Criteria Description
I	4	Incorporates building decarbonization measures
J	4	Incorporates environmentally sustainable design standards as defined by Leadership in Energy and Environmental Design (LEED)
K	5	Incorporates streetscape features to enhance transit accessibility and service in the project design, including but not limited to public restrooms, shade trees or structures, and publicly available seating.
L	-5	If project is also eligible for House LA's Acquisition and Rehabilitation of Affordable Housing Program

Section G. Underwriting Process and Criteria (to be developed by COC/LAHD)

Section H. Legal Documents (to be developed by LAHD)

Section I. Reporting and Performance Requirements (to be developed by LAHD, inclusive of fair housing and racial equity metrics)

Section J. Labor Provisions (to be detailed by LAHD, consistent with ULA Section 22.618.7.)

- All projects: Prevailing Wage
- New construction and rehabilitation of 40 units and up: Project Labor Agreement

Section K. Defaults & cancellations (to be developed by LAHD)

Article III. Resident Participation in Management and Ownership

Section A. Overview

The purpose of the Alternative Models for Permanent Affordable Housing program is to house people and build stronger individuals, families and communities actively engaged in the work of producing and managing the housing. In the traditional affordable housing model, the developer becomes the owner and the residents remain in a traditional tenant role. Tenants are usually not consulted on forming the operating and leasing policies, which is in large part due to the prescriptive nature of the funding programs and the feudal history of the landlord-tenant relationship. Tenants are also not consulted on budgets and financial decisions in the building. The Alternative Models program will address racial segregation and dismantle racially exclusionary practices through locating a significant proportion of developments in historically exclusionary communities, and it will promote racial equity in housing through systems that allow for resident leadership, tenant authority, and tenant control over the management of their buildings to advance self determination in low income communities of color.

An alternative model that shifts the relationship between the tenant and their housing can be structured in many ways. Residents could be involved as elected resident representatives and have a say on the policies and financial decisions of the building. A formally-organized tenant association or Resident Council can act as the intermediary between the owner and the building-wide residents, or even with other stakeholders in a neighborhood. Like a union, this body can negotiate the policies and decisions with the owner directly. Direct operating and financial authority will likely require an ownership model, which may be limited equity, among other non-market features. Legally-organized tenant association or mutual housing association organized across multiple buildings are another ownership model when the association becomes co-owners of the property in a joint venture with a developer; this model includes authority but not an equity stake held by individual households. In an intermediate model, the owner – either a non-profit developer or an organization like a CLT – could reserve seats on its Board of Directors specifically for residents.[3]

The following sections outline resident leadership opportunities through 1) resident-engaged management of rental housing, and 2) ownership housing, including properties that will be initiated as rental housing and will convert to a form of community and/or resident ownership in the future. Additional details regarding operations are provided in *Attachment 2: Operations Policies for Alternative Models of Permanent Affordable Housing*.

The developer will be required to submit a Resident Leadership Plan as part of the funding application, which should detail the planned approach to meet the resident engagement requirements outlined below.

Within this alternative approach to housing production and operations, as required by the Measure, the tenants will be playing an enhanced role in the management and/or ownership of their housing, and

[3] https://shelterforce.org/2022/08/16/breaking-nycs-housing-speculation-cycle/

therefore the roles and responsibilities of not only the residents but also of the developer, owner and property manager will shift from what are conventional roles as of Measure ULA's passage in 2022. ULA provides funding specifically to support tenant ownership, and the Department will distribute House LA's Capacity-Building program (Section 2.618.3(d)(1)(ii).d.) funds to a Capacity-Building for Tenant Ownership contractor which will provide the following services: (1) DESIGN: Research and design models of resident management and ownership; (2) OUTREACH: Provide outreach workers/organizers to inform affordable housing developers, tenant unions and other stakeholders about community- and tenant-ownership opportunities; (3) TRAINING & TOOLS: Develop and provide training and tools to residents living in House LA-funded housing to enhance and support ongoing participation in the governance, management, and/or ownership of their communities; and to developers, building owners and property managers that are practicing resident-engaged management, and/or resident ownership; and (4) MONITORING & COMPLIANCE: design and facilitate a system that is integrated with the above training activities, to monitor and support compliance with any regulatory agreements; and to evaluate activities related to the community- and tenant-ownership programs. These capacity-building resources, including tools, templates, models and training, will be made available to the developer, community partner, owner, property manager, and residents, but use of the resources is not required, unless otherwise directed by the Department.

Section B. Minimum Required Resident Engagement Activities for Rental Housing

The following are activities that, at a minimum, are required for rental properties funded through House LA's Alternative Models for Permanent Affordable Housing:

1. **Predevelopment:** The developer and community partner will review the COC's housing needs assessment and submit in the team's funding application a statement of public purpose that states how the project will meet the public needs identified in the housing needs assessment through the project's community outreach and final design. If the project is located in an area designated as moderate resource, low resource, or high segregation and poverty on the most recent version of the California Tax Credit Allocation Committee's (TCAC's) Opportunity Maps, at least one community meeting or a similar forum must be held to solicit input from local area residents. Notices for any community meetings or process should be translated into the prevailing local languages and provided to every resident within 1,000 feet of the development project. Further community input can be gathered through activities designed and executed by the developer's community partner (established pursuant to Article II. Section E) such as focus groups, workshops, pop-up events, intercept surveys, and attending other community meetings and events. Community engagement activities must be focused on engaging lower income neighborhood residents who represent similar income categories as are intended to be served by the Program, prospective tenants, and/or others with lived experience of housing unaffordability and insecurity.
2. **Rehabilitation:** While the intent of Alternative Models funding is to fund new construction, to the extent there is rehabilitation, developers will at a minimum follow all legal requirements for relocation, as detailed in SEC.22.618.3(d)(1)ii.c. of the measure. The developer and the

community partner will be jointly responsible to ensure proper coordination of the temporary relocation of tenants, including comparable accommodations for temporary relocation and Relocation Assistance Determination. If the developer is temporarily relocating tenants into other units owned or controlled by the developer, the tenants should have the option of permanently relocating, if the tenant so chooses, to avoid multiple moves. Tenants should be provided information and education, the purpose of which is to advance the efficacy of quickly completing the rehabilitation while making current tenants as comfortable as possible.

3. **Construction**: Refer to Project Labor Agreement requirements in Measure ULA.
4. **Leasing**: In preparation for lease up, and during the lease up period, developer and/or property management team will engage the community partner in development of the lease up plan, which will include coordination with the Coordinated Entry System for any units set aside for special needs populations, any established system for selecting social housing tenants, and conduct neighborhood-based outreach to inform and market the available units to income-qualified neighborhood residents with the goal of Affirmatively Furthering Fair Housing, for example prioritizing outreach to lower-income residents in areas with a history of civic disengagement, displacement, and economic marginalization.
5. **Property Management:** Building owners (if applicable) and property managers will engage residents in the process of ascertaining the financial, physical and community health of the property. Resident engagement activities should at a minimum include:
    - Initial meeting or series of meetings with residents to inform and collaborate on creating Community Agreements.
    - Monthly office or informal gathering between property management and residents to support community cohesion and/or to discuss and resolve specific building issues as they arise (in addition to issues that need immediate attention throughout the month)
    - Quarterly residents meetings with property management to review the operations and management status of the building and adjust the Community Agreements and leasing parameters as appropriate and in accordance with laws and regulations
    - Twice-yearly, at mid-year and end of budget year, meetings between property management and residents to review the building budget and actual financials to determine operating expense and capital investment priorities as well as to set the budget for the following year.
6. **Governance**: Resident Council must be formed to engage with the property manager and/or building owner regarding the above matters, and is a representative body that is elected by the residents. Building owners will be responsible for convening the Resident Council within 6 months after the building is initially leased up, for ensuring a regular and on-going meeting schedule, and for identifying capacity-building resources as necessary to support establishment and operations of the Resident Council. The Resident Council may represent the building when engaging with other neighborhood stakeholders such as its Neighborhood Council, elected and appointed representatives including Measure ULA's citywide Tenants Council and Citizen Oversight Committee, as well as area businesses and institutions to advocate for economic and quality of life improvements.

7. **Resident Training**: Residents should receive training, on an on-going basis, to learn about all aspects of managing a residential, mixed use, and/or joint use development, as applicable. Resident training may include topics such as establishment and operations of a Resident Council, decision-making procedures, leadership styles and strategies, organizing tools, mediation, property management, building budgeting, systems & repairs, and tenant-landlord law. This training will also assist residents, resident representatives, and property managers to be clear about their distinct roles, including that property managers are responsible for collecting the rent, maintaining the building, reporting to owner/lenders/investors, and leasing. In contrast, Resident Councilmembers are responsible for representing residents in the development to building owners, property managers, and the public; and maintaining policy and performing oversight, including budgeting, financial review, reviewing of asset management and long-term capital improvement plans, facilitating community cohesion, and setting broad leasing policies in accordance with all relevant laws. Building owners should inform residents and resident leaders of their right to meaningfully and directly participate in the management and ownership of the development and should refer residents and resident representatives of the resource entity to be funded by Measure ULA capacity building program funds to provide residents with ongoing building management and operations training and resources.

Section C. Minimum Required Resident Engagement Activities for Ownership Housing

The following are activities that, at a minimum, are required for resident-ownership properties funded through House LA's Alternative Models for Permanent Affordable Housing, such as covenanted-affordable (resale restricted) condominiums or Limited Equity Housing Cooperatives (LEHCs):

1. **Predevelopment, Rehabilitation, and Construction** - same minimum requirements as with rental social housing (see section above)

2. **Equitable Marketing Plan**: For a new construction ownership project, a minimum of 12 months prior to the anticipated completion and sales of the units or cooperative shares, the developer and/or community partner will create and launch a marketing plan that includes outreach to area stakeholders involved in community stabilization and anti-displacement activities, and marketing of the housing to area residents, especially lower-income residents and residents in communities of color, with the goal of the marketing plan to identify residents interested in ownership and may income pre-qualify for specific units.
3. **Rental to Ownership Conversion**: If the property is being converted from rental to ownership, then financial and design plans for ownership should engage current residents and/or resident representatives such as those on any elected governance body; and such plans should be structured to maximize retention of current residents and their conversion from tenants to owners.
4. **Cooperative Living Preparation, Skill-building, and Pre-qualification to Purchase Shares or Units**: For traditional affordable single family homeownership, a 10:1 ratio of applicants to buyers is common, and therefore in traditional homeownership pre-qualification, education, and

preparation during the year prior to purchase are critical to success. Cooperative ownership requires financial preparation similar to traditional homeownership and additionally requires cooperative living skills that must be built over time. Whenever feasible, future cooperative owners should receive training on collective decision-making in the process of becoming cooperative owners.

a. The marketing and sales effort, and homebuyer training that will be conducted in conjunction with the sales of homes or shares, may be coordinated through or conducted by the House LA-funded capacity building entity, a developer with the requisite experience, a partner CLT or other affordable homeownership organization, or other qualified trainer. The homebuyer training team will work with prospective shareholders and homebuyers to remove barriers they face to successfully qualify for mortgages and/or co-op loans and sustain ownership costs in the long-term, which includes topics such as improving credit scores and debt-to-income ratios. These activities may be centralized through the House LA-funded capacity building contractor, in order to achieve volume of activity and create expertise across the city, and/or in conjunction with an affordable homeownership counseling program

5. **Governance**: After the construction completion and owners move-in, or after a rental-to-ownership conversion is completed, and with the support and training of provided through House LA Capacity Building program (if desired), the developer and/or community partner will work with the resident-owners to:
   a. form either a homeowners association (HOA) or co-op board (depending on ownership structure) and to elect its leaders/officers;
   b. assist the resident-owners and HOA or co-op board to hire the property manager; and
   c. ensure on a monthly, quarterly and annual basis that the financial, physical and community health of the building is strong, with the oversight body (e.g. HOA or co-op board) trained to understand their role, and with such oversight items agendized in their regular meetings.

   Resident owners should engage in the process of ascertaining the financial, physical and community health of the property. Activities should at a minimum include the following, although may be designed for more intense engagement commensurate with increase authority over property and asset management:
   d. Monthly office or informal gathering between property management and residents to support community cohesion and/or to discuss and resolve specific building issues as they arise (in addition to issues that need immediate attention throughout the month)
   e. Quarterly residents meetings with property management to review the operations and management status of the building and adjust the house rules and leasing parameters as appropriate and in accordance with laws and regulations
   f. Twice-yearly, at mid-year and end of budget year, meetings with property management to review the building budget and actual financials to determine operating expense and capital investment priorities as well as to set the budget for the following year.

The Capacity-Building contractor will support all above activities by making case studies, models and templates available to prospective developers, property managers and/or community partners, as well as provide direct technical assistance and support access to legal resources as needed. Furthermore, the contractor can provide on-going training in residential leadership, organizing, mediation, property management, building budgeting, building systems and repairs, ownership financing, HOA/coop members' rights and responsibilities, and other areas of needs identified by developers, property managers, Resident Councils, HOA or co-op boards, and individual residents.

Section D. Contingency Planning

Rental and ownership buildings should incorporate financial and sociological strategies from the early stages of project development to set up the building for long-term success. This will include as a minimum the following:

1. **Operating Reserves:** An operating reserve fund to provide a cushion for future shortfalls in the monthly and annual operations of the property, including vacancy. The Operating Reserves will be established through the development budget, and repaid as necessary from building cash flow.
2. **Replacement Reserves:** A capital reserve fund to address the physical needs of the property will be established through the development budget, and/or will be maintained as an on-going operating expense. In the case that ownership of land is separated from ownership of housing, any ground lease with building owners -- whether a non-profit developer or tenant association, a LEHC, or individual homeowners -- will include requirements for establishment and maintenance of the replacement reserves.
3. **Community Conflicts:** An early activity in each building is to engage residents in establishing a Community Agreement, as a building-wide compact about how people choose to live together. It is critical to build and sustain trust through regular and meaningful communication among all parties and ensure the participation of all residents in the governance of their community. Inevitably, however, conflicts will arise, between residents and between residents and property management and/or owners.

Section E. Evaluation, Reporting and Compliance

The Developer, Community Partner, and/or Property Manager will be responsible for providing reports to the Department, and made available to the Citizens Oversight Committee, on implementation of the Resident Management Plan, twice-annually during Years 1-3 (post construction) and annually Years 4-15. The report shall, at a minimum, include:

- Progress during the reporting period on the Resident Leadership Plan, and any changes to the Plan that have been implemented and/or are proposed;
- Survey of residents' community satisfaction;
- A revenue/expense report as well as project balance sheet; and
- Self-evaluation and 360-evaluation by owner/developer, community partner, and property

manager – and resident governance body, coop board and/or HOA board if such an entity exists -- regarding the state of the property and community, The evaluation should cover physical upkeep, leasing and vacancy, rent collection, resident complaints and resolutions, community events and participation levels, as well as projecting forward challenges and solutions.

ATTACHMENT 1: SUMMARY OF REQUIREMENTS FOR HOUSE LA'S ALTERNATIVE MODELS FOR PERMANENT AFFORDABLE HOUSING

Program requirements detailed in the measure are as follows:

- **Development**: Housing units shall be developed by entities qualified for funding as follows: To qualify for funding from the Affordable Housing Program, an applicant must demonstrate a history of affordable housing development and/or affordable housing property management experience, as the Department defines those terms consistently with the purpose of this article. Community Land Trusts and Limited-Equity Housing Cooperatives may qualify for funding from this initiative without demonstrating a history of affordable housing development and/or affordable housing property management experience by (a) partnering with experienced non-profit organizations, or (b) showing evidence of staff capacity adequate to manage and administer the affordable housing project, as determined by the Department and consistent with the purpose of this article. (SEC.22.618.3(d)(1)ii.b.1. and SEC.22.618.3(d)(1)ii.d.)
- **Ownership and Management**: Housing units shall be owned and/or managed by a public entity, a local housing authority, a Community Land Trust, a Limited Equity Housing Cooperative, or a non-profit entity within Internal Revenue Code Section 501(c)(3), which demonstrates a history of affordable housing development and/or affordable housing property management experience, through a process the Department shall determine. A Community Land Trust or a Limited-Equity Housing Cooperative without a demonstrated history of affordable housing development and/or affordable housing property management experience may qualify for funding under this subsection by (a) partnering with an experienced non-profit organization, as determined by the Department and consistent with the purpose of this Article, or (b) showing evidence of staff capacity adequate to manage and administer the affordable housing project, as determined by the Department and consistent with the purpose of this article (SEC.22.618.3(d)(1)ii.d.)
- **Affordability**: A project may accommodate a mix of household income types including Acutely Low Income Households, Extremely Low Income Households, Very Low Income Households, and Low Income Households. (SEC.22.618.3(d)(1)ii.b.2.) A minimum of 20% of a project's housing units shall be reserved for Acutely Low Income and/or Extremely Low Income households. (SEC.22.618.3(d)(1)ii.b.3.) All units shall be subject to a covenant that meets the requirements of Section 22.618.3(d)(1)(i).b., except that according to criteria established by the Department consistently with the purposes of this Article, and only for the purpose of increasing the financial stability of Acutely Low Income, Extremely Low Income, and Very Low Income Household units in the project, up to 20% of units may be unrestricted as to income and rent levels. (SEC.22.618.3(d)(1)ii.b.4.) The Department shall adopt a policy to prevent the displacement of households that qualified for a unit upon initial occupancy but thereafter exceed the income limits. Such households may be charged a rent commensurate with their current income levels. (SEC.22.618.3(d)(1)i.a.)

- **Covenants**: Each property and affordable unit, whether in rental or ownership housing, shall be made subject to a recorded covenant that establishes permanent affordability, as detailed in the measure.[4] (SEC.22.618.3(d)(1)i.b)
- **Replacement, Relocation and Right of First Refusal**: Requirements for replacement housing, relocation of residents in an occupied property, and the right of first refusal on units made available in the future, as detailed in the measure, will apply. (SEC.22.618.3(d)(1)ii.c.)
- **Resident Participation in Management**: Residents shall have the right to participate directly and meaningfully in decision-making concerning the operation and management of the project. (SEC.22.618.3(d)(1)ii.b.5.)
- **Resident Ownership**: Where feasible and desirable, the project shall include resident ownership, including but not limited to Limited-Equity Housing Cooperatives. (SEC.22.618.3(d)(1)ii.b.6.)
- **Use of Public Land**: Where feasible and desirable, projects shall use public land. (SEC.22.618.3(d)(1)ii.b.7.)
- **Construction Work**: As detailed in the measure, prevailing wages will be paid for any construction or rehabilitation project receiving House LA funding; and all construction and rehabilitation projects of 40 units and greater[5] are subject to a Project Labor Agreement. (SEC.22.618.7)

[4] *The measure provides these additional details: 1. Each housing unit in the project shall be used exclusively as a residence for households at the respective income level. 2. The housing cost or rent for such housing unit shall be no more than an affordable housing cost or affordable rent at the respective level of income.3. No housing unit may be leased or subleased, except to a household at the level of affordability and for no more than an affordable rent for which the unit was dedicated.4. Any resale of rental property funded by this initiative shall be restricted to non-profit entities or LEHCs, including but not limited to affordable housing corporations and CLT, to ensure the continued use of the dwelling units as affordable housing as provided in this section. 5. In the case of owner-occupied housing units, initial sales and all resales shall be restricted to purchasers whose household income does not exceed the income level to which the unit is dedicated and who do not pay in excess of affordable housing cost at that income level; or LEHCs or similar entities providing for resident ownership and affordability in perpetuity with an average affordability level for Lower Income Households and which allows not more than 20% of units to be owned and occupied at unrestricted market rates. Unrestricted market rate units shall not be used to calculate average affordability of units in a project. 6. The term of the affordability restrictions contained in the covenant shall be in perpetuity, or such other maximum length of time as may be permitted by applicable law, except that an affordability covenant with a fixed term of no less than 55 years shall be acceptable only if necessary to meet requirements of other funding sources. 7. The affordability restrictions shall be senior to and not subordinated to any lien, deed of trust or condition or restriction to be recorded against the property, except for any land use-related affordability covenant, such that any entity taking title to the property or a dwelling unit by foreclosure or deed-in-lieu of foreclosure shall take subject to the affordability restrictions. (SEC. 22.618.3(d)(1)(i).b.)*

[5] *The number of units means the maximum number of units authorized in any entitlement granted by the land use permitting authority for the development project, regardless of whether construction proceeds in phases or ownership is divided.*

ATTACHMENT 2

Social Housing Operations Policies

Social housing aspires to be accessible to all, with a low barrier to entry and creating a community where conflicts are resolved with communication and mediation. Success is defined by stable residency with low eviction rates in a well-maintained and financially viable building. Residents are respected; there are non-punitive measures to address financial crises or disruptions to the building's community; and residents participate in the meaningful governance of their community. Properties may be operated as rental housing in the long-term, or resident ownership opportunities may be in place at the outset or developed over time. Resident ownership, if established, may be through direct financial participation by the residents, or may be through a non-profit entity controlled by the residents. In all cases, affordability will be achieved and maintained in perpetuity.

To reach these aspirations, housing operators may apply the following policies at their discretion and risk, subject to applicable federal, state and local laws and regulations. These policies have drawn from Housing First principles, as well as incorporating and building on recommendations found in the Tenant's Bill of Rights prepared by Keep LA Housed[6].

Application Process for Rental Housing

- No citizenship or immigration status check
- No criminal background check
- An applicant with adverse credit report information will be immediately notified and offered referral to a social service or tenant advocacy organization to help clarify any issues, correct any mistakes and repair any defects. Defaults such as medical bills and student loans will not be included in the review. Alternative documentation of payment history is acceptable subject to the judgment of the leasing agent. This may include prior rent payment history, utilities bills and receipts, etc. In the event the unit is leased prior to the resolution of the credit issues, the applicant will be offered the next available unit with the appropriate income limit and household size.
- Except in the case where a Section 8 rental subsidy is attached to the unit or applicant, an applicant with high rent-to-income ratio will be immediately notified and offered referral to a social service or tenant advocacy organization to ensure that all income sources are included and the ratio reworked and reviewed. If the applicant has consistently paid rent in excess of the rent of the indicated unit or if the applicant can find a guarantor for the first 12 months of occupancy, this subject ratio threshold can be eliminated.
- Priority to Qualified Households who have been displaced as a result of publicly-financed projects
- Any additional priorities or preferences established through a Right of First Refusal, Right of Return, or any future local preference policy.

[6] https://drive.google.com/file/d/1T5KUFnpso-RRTSNNr3aMNh2DPA9MOq-V/view?pli=1

During Operation

- Non-payment of rent: Prior to initiating Unlawful Detainer action, given that the goal of social housing programs is to eliminate evictions, the housing operator will seek every measure to avoid displacement. These activities should at a minimum include privately discussing the matter with the tenant to arrange a payment plan and asking the tenant in writing for permission to refer them to a social service or tenant advocacy organization to help with rent payment from grant or loan sources. The tenant should be provided a minimum of 60 days from the operator's written request for permission to resolve the issue.
- Residents conflict leading to breach of quiet enjoyment, safety of other residents or damage to property: Rather than initiating Unlawful Detainer action, and given that the goal of social housing programs is to eliminate evictions, the housing operator will seek every measure to resolve the conflict, such as privately discussing the matter with all involved parties to seek resolution, asking the tenants in writing for permission to refer them to a social service or tenant advocacy organization for mediation, and asking the Resident Council, Co-op Board, or HOA to appoint three members to adjudicate the dispute. If a Resident Council, Co-op Board or HOA has not been formed, the ULA-funded Capacity Building entity may support by selecting active residents to participate in an ad-hoc mediation team or will provide staff support towards mediation.