Appendix C
Acquisition/Rehab Full Program Guidelines

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Article I. 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, and housing production strategies, as well as housing preservation. By crafting an Acquisition and Rehabilitation[7] for Affordable Housing Program as part of House LA, the authors have directed resources to the preservation of Naturally Occurring Affordable Housing (NOAH), with the goal of removing that housing from the speculative real estate market, in order to stabilize current tenants in their homes, provide resources to rehabilitate properties which have often faced disinvestment from previous owners, to ensure affordability in perpetuity, and to provide an opportunity for tenants to play an enhanced role in the management of their housing, and/or establishing tenant ownership.

Section B. Purpose and Scope

The purpose of these Program Guidelines is to implement House LA Program Section 22.618.3(d)(1)ii.c. of House LA (as set forth in Chapter 192 of Division 5, Section 22.618.4 of Los Angeles City Charter), which establishes the Acquisition and Rehabilitation for Affordable Housing Program ("Program") for the acquisition, preservation, rehabilitation, lease, or operation of existing housing including but not limited to rent-controlled properties, Residential Hotels, Accessory Dwelling Units, and Junior Accessory Dwelling Units, either without existing covenants requiring affordability or with such existing covenants that will expire within ten (10) years of project onset, or to pay the principal and interest on debt incurred for such purpose. As directed by the Measure, ten percent (10%) of House LA Fund-Programs is to be allocated annually for this Program.

A summary of program requirements detailed in House LA are included in Attachment 1.

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 Acquisition and Rehabilitation for Affordable Housing Program seeks to center racial equity through resource distribution, implementation strategies, and outcomes.

Furthermore, these Program Guidelines have been established in accordance with the Vision of the City of Los Angeles' Office of Racial Equity, which states that "We envision a City that authentically engages

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[7] "The preservation of unsubsidized affordable housing occupied by low-income residents, also known as acquisition-rehabilitation. The unique characteristics of acquisition-rehabilitation – such as working with tenants in place and preserving a smaller and aging building stock as permanently affordable – require a tailored approach and multi-sector support and investment." (Enterprise 2020, Preserving Affordability, Preventing Displacement).

communities most harmed by systemic racism, as leaders and collaborators, in the process of identifying data, distributing public resources, and reforming policies that impact outcomes of Civil + Human Rights and Equity." Due to this, the Department must incorporate racial equity metrics in public program reports and evaluation.

Article II. Program Requirements and Procedures

Section A. Fund Manager Eligibility Criteria, Role and Implementation Plan[8,9]

The Los Angeles Housing Department ("Department") shall contract with a Fund Manager to award and manage the House LA Acquisition and Rehabilitation for Affordable Housing Program Funds. The contract with the Fund Manager will be for a five (5)-year term with an automatic five (5)-year renewal option, provided that funds are available. *Fund Manager Eligibility Criteria*

The Fund Manager must be a nonprofit financial institution with experience making real estate loans and grants for the purpose for predevelopment, acquisition, rehabilitation, and preservation of affordable housing for low- or moderate-income residents. The Fund Manager must meet the following criteria:

- Has originated and serviced at least fifty million dollars ($50,000,000) in loans to develop, maintain, improve, or acquire affordable housing, including loans for NOAH.
- Has demonstrated an ability to process grants and/or loans for property acquisitions in a manner that is sufficiently expedient to facilitate the purchase of real property by a non-profit affordable housing organization within a 45 day escrow period.
- Has experience working with nonprofits which acquire and rehabilitate small multifamily properties (including Community Land Trusts (CLTs) and community development corporations (CDCs)) and that are deeply connected to residents in neighborhoods and communities, with an emphasis on historic communities of color that are facing Elevated, High and/or Extreme Displacement Pressures (as indicated by Urban Displacement Map, pending development of a city-specific methodology).

Furthermore, the Fund Manager selected during the first five-year cycle of House LA must:

- Have managed pools of funds;
- Have previous experience implementing affordable housing lending activities involving local, state, or federal funds;
- Have an office in Southern California; and
- Currently conduct lending activities within the boundaries of the City of Los Angeles.

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[8] Adapted from Foreclosure Intervention Housing Preservation Program Draft Guidelines, May 2022 https://www.hcd.ca.gov/docs/grants-and-funding/Foreclosure-Intervention-Housing-Preservation-Program-Draft-Guidelines.pdf

[9] Adapted from Permanent Affordability Program Set-Aside for Community Land Trusts/Limited Equity Housing Cooperatives. City of Oakland Housing and Community Development Department. Dec 2020. https://cao-94612.s3.amazonaws.com/documents/ACAH-2020-CLT-COOP-Program-Guidelines-Dec-17.pdf

Additionally, it is desired that the Fund Manager has demonstrated experience both granting and lending funds for NOAH Acquisition and Rehabilitation Projects that include Projects that are owned by the residents, or are planned for conversion to tenant ownership through a Limited Equity Housing Cooperative (LEHC) or other form of tenant ownership.

Overview of Fund Manager's Role

In order to facilitate expeditious acquisition of properties in the real estate market, the City will contract with a Fund Manager to implement House LA's Acquisition and Rehabilitation for Affordable Housing program to serve eligible Project Sponsors across the City, with a prioritization of neighborhoods where lower-income renters are facing displacement pressures. The Fund Manager will be the Department's main point of contact with Project Sponsors, and will be responsible for disbursing House LA Acquisition and Rehabilitation funds as specified in the contract. The Fund Manager will also oversee all communications with Project Sponsors, and monitor each Project that receives funding through stabilization, including disbursing rehabilitation funds in accordance with the funding agreement.

The Fund Manager will record the Department's pre-approved covenant at the time of acquisition closing, and the Department will be responsible for all monitoring and enforcement duties under the terms of the covenant from the time that it is recorded. The Fund Manager shall not be responsible for monitoring or enforcement of the covenant.

Upon contracting with the Department, the Fund Manager will take the following steps, which are described in more detail below:

1. Develop Fund Manager Implementation Plan, Predevelopment Fund criteria and structure, and Project application materials
2. Prequalify Project Sponsors
3. Accept potential Projects from pre-qualified Project Sponsors
4. Apply threshold criteria to assess Project pipeline
5. Notify Project Sponsors regarding Project funding
6. Fund Projects
7. Monitor Projects
8. Report to the Department

Fund Manager Implementation Plan

The Fund Manager will develop an Implementation Plan pursuant to these Guidelines, that shall include actions to be taken by the Department and the Fund Manager to develop the application process and forms pursuant to these Guidelines, for review and approval by the Department. These forms may include but not be limited to the following:

- Application materials andprocess for establishing eligible Project Sponsors
- Criteria and structure for a Predevelopment Fund, to support escrow deposits and due diligence expenses
- Project application, including development and operating budgets, unit mix, affordability levels, income

and rent chart (or, if moving directly to ownership, Income and sales price chart), funding plan with amount of House LA funds requested, and form for submitting documents related to scoring in Article II, Section E

- Guidelines regarding percentage, funding and use limitations of any commercial component (e.g., use limited to nonprofit or small business, with reasonable rent to support cash flows for the overall building operations)
- Approval process, waiver process, amendments and post-close increases

- Legal Documentation: Regulatory agreement, Loan agreement, trust deed, promissory note
- Subordination agreement, and any other documents legally required to secure the City's interest in the property
- Reporting and Compliance forms
- Format for Resident Leadership Plan

The Fund Manager will then implement a qualification process for prospective Project Sponsors, roll out the Predevelopment Fund based on established structure and criteria, review and approve funding applications, and make grants and/or loans pursuant to these Guidelines.

The Implementation Plan shall also include actions to be taken by a Fund Manager (e.g., revision of the Project review and approval process) if funded Projects have a high rate of significant problems (e.g., acquisition falls through, rehabilitation costs greatly exceed initial estimates, Project does not achieve stabilization in a reasonable timeline).

Within 120 business days of contract execution, the Fund Manager must submit the Implementation Plan to the Department. Prior to submission, the Fund Manager will vet the proposed Implementation Plan with nonprofit affordable housing organizations based in Los Angeles that have experience with acquisition and rehabilitation during the three years prior. The Department will review the Implementation Plan and either approve it or request changes within 15 business days. If necessary, the Fund Manager will submit a revised plan based on the Department's feedback within 15 business days, subject to final approval by the Department, which will not be unreasonably withheld, within 5 business days.

Fund Manager Monitoring and Reporting Process

The Department will develop and implement a clear reporting plan to monitor Fund Manager activities and progress toward the program goals established by the House LA Citizens Oversight Committee. The Department will conduct an annual evaluation based on program-wide goals and commitments established by the House LA Citizens Oversight Committee, including racial equity metrics and outcomes pursuant to Article I, Section C of these Guidelines. The results of the evaluation will be made available to the Citizens Oversight Committee.

Section B. Fund Disbursal to Fund Manager[10]

House LA Program Funds designated for the House LA Acquisition and Rehabilitation for Affordable Housing Program will be provided by the City to the Fund in the form of annual grants, in an amount determined by the budget prepared by the House LA Citizens Oversight Committee and approved by City Council.

These funds will be utilized in accordance with program goals and commitments as established by the Citizens Oversight Committee and pursuant to Article II, Section D and Article III of these Guidelines.

At the time of contract execution between the Department and the Fund Manager, an initial disbursement of $10 million will be made and $40 million will be disbursed after the Fund Manager Implementation Plan is approved by the department. The Fund Manager can request that the Department release the next $50 million in funding (or the remaining funds if less than $50 million of Program Funds remains to be disbursed) each time the Fund Manager can demonstrate that 75 percent (75%) of the most recent disbursement received has been committed to projects per a written and approved commitment letter between the Fund Manager and qualified Project Sponsor. If any funds remain within the House LA Fund budgeted for the Program by June 30th of the Fiscal Year, the Department has the option to disburse some or all of the remaining funds to the Fund Manager by that date.

The Fund Manager will be compensated for all fund management activities through the annual grant of 2% of grant award amount, which shall be subtracted from the grant award.[11] The Fund Manager will be fully compensated through this mechanism for all management responsibilities related to the Acquisition and Rehabilitation fund, and will not charge additional fees associated with House LA-sponsored grants or loans made from the fund. In addition to this annual compensation, the Fund Manager will receive $500,000 to fund "start up" activities and costs, in order to get systems, infrastructure, documents, etc. in place to operate the program.

Any interest accrued on idle funds held by the Fund Manager should be kept in a segregated account and any interest earned on such funds shall be used for making additional grants or loans to Project Sponsors. Interest accrued on City loans will be recycled back into the Program, with the goal of creating a very long-term source of revenue for the Acquisition and Rehabilitation for Affordable Housing Program. Accounting of accrual and use of interest will be included in an annual report to the Department. The report will be made available to the Citizens Oversight Committee.

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[10] Adapted from Foreclosure Intervention Housing Preservation Program Final Guidelines. Jan 2023. https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf

[11] Adapted from Affordable Housing Preservation Loan Term Sheet. New Generation Loan Fund. August 2021. https://static1.squarespace.com/static/5140e3b6e4b089f4051fb2c1/t/62a8c0158fd079787cee4a93/1655226389267/NGF+Vacant+Property+Loan+Term+Sheet+%26+Preservation+%28Aug-21%29+-+Uploaded+6-22.pdf

Section C. Pre-Qualification of Project Sponsors[12]

To be eligible to receive funding for Projects from the Fund Manager, a Project Sponsor shall be any one of the following:

A. A Community Land Trust (CLT) which is a non-profit corporation within Section 501(c)(3) of the Internal Revenue Code that satisfies all of the following: (I) Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences; (II) All dwellings and units located on the land owned by the non-profit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to Lower Income Households or Moderate Income Households, or held by the non-profit corporation for the same purpose; (III) When a dwelling or unit that is situated on land owned by the non-profit corporation is sold to a qualified owner, the land is leased by the non-profit corporation to the income-qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years.
B. A Limited Equity Housing Cooperative (LEHC) as defined in Section 817 of the California Civil Code.
C. 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, as defined in the experience criteria below.

Additionally, Project Sponsors must meet the following experience criteria:

1. Project Sponsors must have experience in acquiring and rehabilitating at least three (3) properties and maintaining it as affordable housing with building typology comparable to those of Article II, Section D of these Guidelines, within the last ten (10) years. Details on all completed Affordable Housing Development projects within the last ten (10) years should be provided and demonstrate good financial performance along with proper habitability standards. This documentation must also show program design and planning for the projects' long-term affordability, as well as proper compliance if required by a funding source (e.g., annual verification of primary residence, annual income verification (for rental properties), resident selection procedures that meet fair housing requirements).
2. Project Sponsors must have a minimum of two (2) years of experience with resident engagement in design and/or management, community organizing or providing services to low-income communities, preferably with specific experience in affordable housing ownership by residents or by organizations that are controlled by a majority of lower-income community residents. Partnering with a community-based organization, CLT or other organizations with tenant leadership experience can count toward this requirement.
3. Project Sponsors shall maintain employees or hire consultants with professional experience necessary to carry out the duties of managing the acquisition, rehabilitation, leasing, and management of

[12] Adapted from Foreclosure Intervention Housing Preservation Program Final Guidelines. Jan 2023. https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf

affordable housing projects.

4. Project Sponsors (or all entities in a Partnership) must have a demonstrated commitment to advancing racial equity and reducing racial disparities in housing outcomes, as evidenced by[13]:
    a. 1. A profile describing the organization's mission, length of existence, staff experience, characteristics of its Board of Directors, and its commitment to affordable housing and advancing racial equity;
    b. 2. A narrative analysis of racial disparities in housing outcomes in the organization's geographic coverage area, e.g., income by race, housing cost burden by race, history of displacement of residents of color;
    c. 3. A description of actions the organization is already taking to reduce racial disparities in housing outcomes, e.g., tracking the race and ethnicity of residents served by the organization, engaging with residents to inform the organization's work, marketing projects to different racial and ethnic groups, using a tenant or homebuyer selection process that does not disadvantage certain racial groups (e.g., using a lottery for Project Sponsors selection rather than first-come-first-served, reducing or eliminating use of criminal background checks or credit checks); and
    d. 4. A plan for additional actions the organization will take to reduce racial disparities in housing outcomes (see examples under previous item).
5. Project Sponsors must have the following property management experience or contract with a company meeting this criteria:
    a. The Applicant or the Applicant's management agent must have managed at least one Affordable Housing Development for at least 24 months.

In accordance with SEC.22.618.3(d)(1)ii.c.1. of the measure, if a CLT or LEHC does not fully meet the eligibility and capacity criteria, the organization may qualify for funding from this initiative without demonstrating a history of affordable housing development and/or affordable housing property management experience by either:

A. Partnering with experienced non-profit organizations, as evidenced by:
    a. Presenting a partnership agreement or Memorandum of Understanding (MOU) with an experienced non-profit organization that meets the eligibility and capacity criteria
    b. 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 leadership development will be allocated;[14] or
B. Showing evidence of staff capacity adequate to manage and administer the affordable housing Project, as determined by the Fund Manager and consistent with the purpose of this House LA Program.

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[13] Adapted from Foreclosure Intervention Housing Preservation Program Final Guidelines. Jan 2023. https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf

[14] Program Parameters and Guidelines for House LA's Alternative Models for Permanent Affordable Housing.

With each request for funding renewal, the Fund Manager will submit a report to the Department on all Project Sponsors, whether approved or denied, and if denied, the reasons for denial. The report will be made available to the Citizens Oversight Committee.

Section D. Eligible Project Type and Threshold Requirements

Eligible Project Type

In order to contribute to meeting House LA's overarching Goals, Eligible Project Types include one or more of the following:

- Acquisition, preservation, rehabilitation, leasing, or operation of existing housing including but not limited to rent controlled properties that are not regulated by existing covenants requiring affordability.
- Preservation and rehabilitation of properties that are regulated by existing covenants requiring affordability that will expire within ten (10) years of Project onset, have been funded through a tax-credit program and are approaching end of compliance and not seeking resyndication, with tenants on track to take ownership of their buildings, and the property meeting all other requirements.
- Acquisition, preservation, rehabilitation, lease, or operation of Residential Hotels, as defined in Section 50519(b)(1) of the California Health and Safety Code.
- Acquisition, installation, construction rehabilitation, legalization and/or permitting, lease or operation of Accessory Dwelling Units (ADUs), Junior Accessory Dwelling Units (JDUs), and Unpermitted Dwelling Units (UDUs)

Threshold Requirements

In addition to being an Eligible Project Type, the Project must meet all of the following Threshold Requirements:

- A majority of a property's units, at 50% or more, must be occupied by Lower Income Households upon acquisition, which shall be assumed if a majority of tenants return attestations that their incomes are at or below the lower-income level in a manner the Department shall determine. Notwithstanding the above, funds may be utilized for acquisition and rehabilitation of any property that was used as a Residential Hotel within the five years preceding the application for funding.
- Existing residents of properties acquired pursuant to SEC.22.618.3(d)(1)i.a. of this Acquisition and Rehabilitation of Affordable Housing program shall not be permanently displaced unless otherwise required by law, even if their incomes exceed the Lower Income Household limits, or any lower income limit set for a unit. Projects shall achieve 100 percent occupancy by Lower Income Households (or any lower Project-specific income limit) over time through unit turnover.
- Site control is not required at the time of application but funds will only be released at the time of or after fully documented site control.
- All residential units must meet City's definition of 'dwelling unit' and fully conform to applicable

local codes. If a Project includes unpermitted or illegal units, whether occupied or unoccupied at time of acquisition, legalization and permitting of the units must be included in the Project scope.

- Properties with commercial spaces are eligible, so long as the majority of the project is residential. Subsidy calculation and use requirements for the commercial space will be based on guidelines established by the Fund Manager.
- Project Sponsor must submit a draft Resident Leadership Plan to incorporate existing and future residents of properties acquired pursuant to this Acquisition and Rehabilitation of Affordable Housing program into the Resident Engagement activities pursuant to Article III of these Guidelines. The Plan will be updated after escrow and based on initial engagement with existing tenants.
- Properties acquired with the intent of converting to LEHCs should be considered as homeownership projects.[15]
    - Existing tenants have the right to remain in units as tenants.
    - Project Sponsor is required to coordinate resident engagement pursuant to Article III of these guidelines.

Section E. Process for Pre-Qualified Project Sponsors to Request Funding for Eligible Projects

This program is intended to be a rolling application program. Only Project Sponsors that have been successfully prequalified may request funding for Eligible Projects. An LLC, partnership, or joint venture composed entirely of prequalified entities is considered a Pre-qualified Project Sponsor and is also eligible to request funding. Funding requests will be reviewed by the Fund Manager in the order they are received. To be eligible, all Projects must meet Eligible Project Type and Threshold Criteria outlined in Section D. The Fund Manager may require periodic updates of pre-qualification application materials (e.g. financials, portfolio strength, any changes to key staff).

Eligible Projects will be underwritten, notified of funding decisions, and receive funding within the constraints of a 30-45 day escrow period. If the Project Sponsor negotiates longer escrow terms, the Fund Manager will extend the fund processing deadlines to match requirements of the escrow timeline. Alternatively, the Fund Manager may opt to accommodate a shorter escrow timetable if requested by the Project Sponsor on a given Project, but is under no obligation to do so.

In the case that the Program is oversubscribed, for applications received within ten (10) business days of each other, if the Fund Manager seeks to diversify geographic distribution of funded Projects, and/or if the Fund Manager seeks to distribute funding more equitably across Pre-qualified Project Sponsors, the Fund Manager will apply the following assessment and scoring to determine funding priority:

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[15] Adapted from Berkeley Small Sites Program
https://berkeleyca.gov/sites/default/files/2022-04/Housing-Trust-Fund-Guidelines.pdf

Criteria ID	Points (20 max)	Scoring Criteria Description
A	2	Building is at imminent risk of Ellis Act eviction
B	1-9	Property has tenants at high risk of displacement, as evidenced by: a. Landlord Harassment [1 point] (Documentation may include copies of emails, texts, letters, or a written narrative from tenant of landlord harassment) b. 3-Day Notices, No-Fault Eviction Notices [1 point] (Documentation shall include copies of 3-Day Notices and/or No-Fault Eviction Notices) c. Rent Burdened Households (at least 10 percent of households are paying more than 50 percent of their monthly household income in rent) [1 point] (Documentation may include evidence from the rent roll provided with application, and/or information provided on rent burden on the application form) d. Households that have received a rent increase of greater than 10 percent within the last 12 months [1 point] (Documentation may include copies of lease agreements documenting rent level changes over the last 12 months). e. Property owner is in violation of, or has multiple complaints related to, documentable City rental housing laws, including other properties owned by the same owner in Los Angeles. [1 point] (Documentation shall include copies of written complaints submitted to the City by tenant(s), hearing decisions, Code Enforcement notices, or City-issued citations.) f. For occupied properties, at least 51% of current tenants include vulnerable populations including families with minor children (age 17 and under), seniors (age 62 and older), disabled as defined by the California Government Code at §12955.3 of the California Government Code, and/or those with language barriers. [2 points] g. At least fifty-one percent (51%) of residents are extremely low-income (at or below thirty percent Area Median Income (30% AMI). [2 points]
C	1	Property is in substandard condition (Documentation shall include photos/videos of the property; Written narrative detailing the substandard condition of the property; and/or Written documentation of violations of, or multiple complaints related to, documentable housing or building code deficiencies filed pursuant to

		California Housing Law or Los Angeles Code, including other Los Angeles properties owned by the same owner.)
D	3	At least 51% of current tenants are supportive of and actively participating with the Project Sponsor in the effort to purchase the property (Documentation shall include sign-in sheets, agendas or minutes from tenant meetings, signed tenant petition, and/or signed statements from tenants.)
E	2	Project Sponsor has experience in leading required resident engagement activities as outlined in Article III. (Documentation shall include sign-in sheets, agendas or minutes from tenant meetings, signed tenant petition, and/or signed statements from tenants.)
F	2-3	Property is located in the following tiers of the Urban Displacement Project's Gentrification and Displacement Urban Displacement Map: Probable or Elevated Displacement Pressures [2 points], High or Extreme Displacement Pressures [3 points] (https://www.urbandisplacement.org/maps/california-estimated-displacement-risk-model/#) (pending city-specific methodology)

The Fund Manager may choose to review any Pre-qualified Project Sponsor's status for a probable cause, and request that that Project Sponsor reapply for qualification before requesting funding for future Projects.

The Fund Manager will submit a report to the Department on all Project applications, whether approved or denied, and if denied, the reasons for denial, to the Department with each request for funding and/or contract renewal. The report will be made available to the Citizens Oversight Committee.

Section F. Eligible Costs[16]

Eligible Project costs include:

- Pre-acquisition due diligence costs
- Purchase costs
- Holding costs associated with the property such as taxes, insurance and debt service
- Option fees, to be repaid no later than the date of the purchase of the property
- Due diligence reports, including environmental assessments and property inspections
- Legal costs
- Architectural and engineering expenses, as applicable

[16] Adapted from Permanent Affordability Program Set-Aside for Community Land Trusts/Limited Equity Housing Cooperatives. City of Oakland Housing and Community Development Department. Dec 2020. https://cao-94612.s3.amazonaws.com/documents/ACAH-2020-CLT-COOP-Program-Guidelines-Dec-17.pdf

- Appraisals
- Gap financing costs
- Construction costs associated with rehabilitation
- Capitalized replacement and operating reserves
- Temporary and/or permanent relocation costs, as required by law and in accordance with SEC.22.618.3(d)(1)ii.c. of the measure
- Other costs reasonably associated with acquisition and rehabilitation and initial operations of the site, as approved by the Fund Manager
- Construction, installation, rehabilitation and/or permitting and legalization costs for ADUs, JDUs, and UDUs
- Payment for the fees, principal and interest on debt incurred for any of the above

Capitalized Operating Subsidy Reserves[17]

A reserve shall be established by the designated Fund Manager to cover Project operating deficits. Any eligible project serving households with an average AMI of 50% or less is eligible for *Capitalized Operating Subsidy Reserve* for up to 20 years of operating subsidy if there is a demonstrated financial need, as determined by the Fund Manager. Up to $175,000 per unit may be provided for the subsidy to cover anticipated operating deficits. The maximum per-unit subsidy amount will be adjusted annually based upon increases in the Consumer Price Index. The Fund Manager will determine the total amount of each project subsidy based upon the individual project underwriting performed by the Fund Manager pursuant to the requirements of these guidelines. Eligible uses funding the Project Sponsor's staff costs and overhead expenses throughout the subsidy term that are reasonably allocable to the following deliverables, as applicable:

- Verification of applicable tenant income and other qualifications;
- Submission of annual operating budgets to the Fund Manager;
- Submission of all other reports and information required under these guidelines; and
- General project management after project stabilization.

Cost Limitations[18]

The Fund Manager will be responsible for developing Project-level underwriting criteria and guidance on cost limitations, including minimum developer fee (not less than 15% Total Development Cost including acquisition) and maximum developer fees, commensurate with the need for financial stability of Project Sponsors. Smaller Projects are unable to achieve the same economies of scale as larger Projects; therefore, items like per-unit property management and asset management costs are likely to be higher. When developing Project-level underwriting criteria and guidance on minimums and maximums for pro forma assumptions, the Fund Manager should base the numbers on actual values (e.g., costs, vacancy rates) for small-scale acquisition and

[17] Adapted from Foreclosure Intervention Housing Preservation Program Final Guidelines. Jan 2023. https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf

[18]

rehabilitation Projects. Additionally, the Fund Manager should ensure Projects are adequately capitalized for long-term success, including with adequate contingencies and operating and replacement reserves.

The Fund Manager will vet proposed underwriting criteria and cost limitations with nonprofit affordable housing organizations based in Los Angeles that have experience with acquisition and rehabilitation of occupied multifamily properties during the previous three years.

The Fund Manager will submit initial underwriting criteria and guidance on cost limitations to the Department within 120 business days of contract execution. The Department will review and either approve the initial underwriting criteria and guidance on cost limitations, or request changes within 15 business days. The Fund Manager will submit revisions within 15 business days, subject to final approval by the Department within 5 business days.

The Fund Manager should refine the underwriting criteria and pro forma guidance numbers over time as real-time cost information is gathered through funded acquisition and rehabilitation Projects. The Fund Manager may submit revised underwriting and cost limitations for approval by the Department whenever additional funds are drawn down, or more frequently as required based on changing market conditions. The Department will respond within the same timeframe as indicated above.

Accessibility Costs

Any construction or rehabilitation project receiving House LA funding will meet all accessibility regulations under Section 504 of the Rehabilitation Act of 1973, Americans with Disabilities Act, as amended, and California Building Code. However, Projects funded through the House LA Acquisition and Rehabilitation for Affordable Housing Program will be exempted from requiring a report from a Certified Accessibility Specialist, as the additional requirements and lengthy timetable make the Goals and terms of this Program infeasible.

Operating Assistance - Vouchers

Any project that receives House LA acquisition/rehabilitation program funding is eligible to request additional operating assistance from House LA's Operating Assistance Program, in the form of Project Based Vouchers (PBV), a backstop for tenant-based Section 8 vouchers, or similar resource. Such operating assistance requests should be sized to cover anticipated or discovered operating deficits attributable to eligible units that are restricted to serve Acutely Low Income and Extremely Low Income Households (30% AMI and below), and/or special needs households. Project Sponsors should indicate if they anticipate requesting operating assistance based on 15 year budget projections. Project Sponsors should make requests for House LA Operating Assistance Program only after exhausting other options to secure operating assistance.

Awarded Project Sponsors will be required to submit updated budget projections including unit mix and operating budgets to the Fund Manager post-closing. The total amount of Operating Assistance each project receives will be determined based upon the individual project underwriting and the availability of assistance. The award notification must be received within the time constraints of the underwriting process, which is in turn scheduled to meet escrow deadlines.

Section G. Assistance Terms and Limits

Overview:[19]

Assistance will be provided on a per Project basis in the form of grants and loans.

House LA funds can be used for up to 100 percent of eligible Project costs. No developer equity is required. Project Sponsors may but are not required to leverage House LA funds with other funds. Specifically, as per SEC.22.618.3(d)(1)ii.c.6 of the measure, neither the Department nor the Fund Manager shall allow leveraging of additional forms of funding if such additional funding makes any of the conditions set forth in this subsection infeasible, or if funding precludes the future conversion of the property to tenant ownership.

The amount of House LA funding provided will vary based on the household income levels the Project will serve. Any maximum loan and/or grant amounts established by the Fund Manager will be adjusted annually based upon increases in the Consumer Price Index.

Fund Managers may make additional funding available on a case-by-case basis for Projects that provide exceptional community benefit (for example, providing very deep affordability and/or preventing displacement).[20] Priority scoring criteria in Section E may assist the Fund Manager in determining projects that provide such exceptional benefit.

All units shall be subject to a covenant that meets the requirements of Section 22.618.3(d)(1)(i).b. Permanent affordability agreements or regulatory agreements will be recorded on the property at the time the loan is closed and will restrict the property to low-income occupants at certain income limits in perpetuity.

Assistance Terms

The Fund Manager shall provide Project Sponsors with the choice to receive funding in the form of a grant, a 1% interest loan with up to 60 year term, or a combination of the two. The underwriting process may, for example, start with a 60 year, fully amortized, 1.00% loan, potentially with an interest-only period to start (e.g. 3, 5, 10 years), and with grant funding allocated to fund the remaining gap.

Grants and loans under this program will be assigned to the Department, and will be transferred to the Department in an expeditious manner through a pre-approved process to ensure the Fund Manager is not burdened with debt. Loan funds from this program will be used by the Department with a goal of

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[19] Adapted from Foreclosure Intervention Housing Preservation Program Draft Guidelines. May 2022. https://www.hcd.ca.gov/docs/grants-and-funding/Foreclosure-Intervention-Housing-Preservation-Program-Draft-Guidelines.pdf

[20] Adapted from Foreclosure Intervention Housing Preservation Program Final Guidelines. Jan 2023. https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/2022-Foreclosure-Intervention-Housing-Preservation-Program-Final-Guidelines.pdf

creating a regenerative pool of funds dedicated to the long term development and sustainability of this program.

In order to comply with requirements of SEC.22.618.3(d)(1)ii.c.5.,[21] City grant and loan agreements will specifically allow for future or, when applicable, contemporaneous conversion to tenant ownership. Among other permissible activities and outcomes, any loan should be assumable by any entity that is owned or controlled by the tenants.

Fund Manager shall make predevelopment funding, including funds for earnest money deposits and funds for pre-acquisition due diligence activities and reports, available to approved Project Sponsors in an expeditious manner, including before the organization has a specific eligible Project to pursue. The Fund Manager may place a per sponsor maximum on this predevelopment funding.

The Fund Manager is encouraged to develop additional creative ways to work with Pre-qualified Project Sponsors on a more programmatic basis rather than just Project-by-Project; for example, by instituting some form of a “line of credit” the organization can easily draw on,

In many cases, Pre-qualified Project Sponsors must acquire properties quickly in order to compete with investors, limiting the amount of due diligence that can be done prior to acquisition. NOAH properties serving low to extremely-low income households are also expected to have significantly higher need for rehabilitation, some that may be discovered after property acquisition that could not have reasonably been known before acquisition. If the Project Sponsor discovers additional rehabilitation needs after property acquisition that could not have reasonably been known before acquisition, the Project Sponsor can apply for additional funds for the additional rehabilitation. If no additional funds are available, the project will be in line for funding from a subsequent tranche.

As the Project approaches stabilization, the Project Sponsor may consult with the Fund Manager to identify how much (if any) outside financing the Project can/will secure from other sources to ensure long term financial stability. The Department recognizes that some Projects, particularly small rental Projects that serve Very Low-Income households, may not be able to secure outside financing and will need all of the initial House LA funds to remain with the Project as long-term gap financing.

Loan Documentation and Security

Each grant shall be documented by a grant agreement and recorded regulatory agreement or affordability agreement, as applicable. Each loan shall be documented by a loan agreement, promissory note, deed of trust, and recorded regulatory agreement or affordability agreement, as applicable. The City will draft such documents within 60 days of allocation of Program Funds, and in consultation with the Fund Manager and potential/likely future Project Sponsors, whose recommendations will be incorporated as is appropriate and feasible.

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[21] “The Department shall cooperate and facilitate plans for tenant ownership, and shall not unreasonably impose requirements that prohibit such ownership conversion. (SEC.22.618.3(d)(1)ii.c.5.)

The Department may agree to subordinate its deed of trust, if it becomes necessary to do so for Project feasibility. The City will not subordinate its regulatory agreement or affordability agreement to private lenders.

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.[22]

Upon closing, the loan documents are automatically assigned to the Department, except in the case where a services agreement is tied to the Project, providing the Fund Manager with the responsibility and adequate compensation to oversee the disbursement of proceeds during rehab and manage this process for some period of time, not to exceed 90 days post rehab completion.

Section H. Fund Manager Application and Award process (to be developed by 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 SEC.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 Fund Manager and LAHD)

[22] Adapted from Permanent Affordability Program Set-Aside for Community Land Trusts/Limited Equity Housing Cooperatives. City of Oakland Housing and Community Development Department. Dec 2020. https://cao-94612.s3.amazonaws.com/documents/ACAH-2020-CLT-COOP-Program-Guidelines-Dec-17.pdf

Article III. Resident Participation in Management and Ownership

Section A. Overview

The Acquisition and Rehabilitation for Affordable Housing program will address racial segregation, dismantle racially exclusionary practices, and promote racial equity in housing through resource distribution, implementation strategies, and outcomes to advance wealth building and self determination in low income communities of color. A primary way to accomplish this is to build in resident engagement and opportunity for ownership in preservation projects, as the Acquisition and Rehabilitation program pursues its goals of preventing displacement and increasing access to permanently affordable housing. Unlike the traditional affordable housing model, ULA preservation Projects will require active engagement of tenants in the governance of their multifamily buildings that will build their capacity and confidence for managing their building collectively, whether as renters or as owners.

In the context of Acquisition and Rehabilitation Program, an alternative approach that shifts the relationship between the tenant and their housing can be structured in many ways. Residents could be involved as elected or appointed resident representatives that have a say in the policies and financial decisions of the building. A formally-organized 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, but still be subject to the prescription of the funders. However, the Acquisition and Rehabilitation program is also designed to support residents establishing direct and sole operating and financial authority through an ownership model, which is likely to be collective such as through a cooperative, and which will place limitations on accrual of equity, in service of program requirements to provide affordability in perpetuity for the benefit of current and future residents. 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.

The following sections outline resident leadership opportunities through; 1) resident-engaged management of rental housing, 2) ownership housing, or 3) properties that will be initiated as rental housing and will convert to a form of community and/or resident ownership in the future.

Project Sponsors are required to submit a Resident Leadership Plan as part of the Project application, which should detail the planned approach to meet the resident engagement requirements outlined below. Given the tight timeline anticipated for acquisitions under this program, it is anticipated that the Resident Leadership Plan will be in draft form during the initial Project application, and should be refined over time as the Project Sponsor learns more about the building's residents, their situation, and their aspirations.

Within properties acquired and rehabilitated through this Program, and as required by the Measure, the tenants will be playing an enhanced role in the management and/or ownership of their housing, and therefore the roles and responsibilities of not only the residents but also of the developer, owner and property manager will shift. 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 specifically directed by the Department.

Section B. Minimum Required Resident Engagement Activities for Rental

The following are activities that, at a minimum, are required for rental properties funded through House LA's Acquisition and Rehabilitation of Affordable Housing Program during each stage of acquisition and rehabilitation:

- **Acquisition:** Prior to the acquisition of a Project (when such contact is approved by a seller), or within 30 days after acquisition (when seller objects to Project Sponsor's contact with tenants prior to acquisition), the Project Sponsor will outreach to property residents to complete income-based attestations pursuant to SEC.22.618.3(d)(1)ii.c.1.[23]

- **Predevelopment:** As early as possible in the process, the Project Sponsor and/or property management team will engage residents. During predevelopment, outreach is to include engagement in decision-making regarding rehabilitation aspirations, and discussing property management aspirations and leasing concerns. Engagement may also include discussion regarding increasing unit size, adding ADUs/JDUs, and/or legalizing any UDUs. Resident input and preferences will be considered and incorporated into the Project to the maximum extent feasible, while prioritizing health code violations, ensuring quality, and not deterring increased density and/or expeditious timeline for the Project. If this resident engagement is coordinated

[23] "1. A majority of a property's units must be occupied by Lower Income Households upon acquisition, which shall be assumed if a majority of tenants return attestations that their incomes are at or below the lower-income level in a manner the Department shall determine. Notwithstanding the above, funds may be utilized for acquisition and rehabilitation of any property that was used as a Residential Hotel within the five years preceding the application for funding." (SEC.22.618.3(d)(1)ii.c.1.)

with or performed by a community partner instead of Project Sponsor, the type and intensity of outreach can be determined collaboratively. After initial income verifications are completed and while engaging tenants about development and rehab needs and aspirations, early outreach may include, as is feasible and appropriate: education on conversion to restricted affordability; potential tenant roles in property and/or asset management; community land trust stewardship (if a CLT is involved in the Project); and/or potential opportunities for tenant-ownership.

- **Rehabilitation:** Rehabilitation of apartment buildings is required to at a minimum follow all legal requirements for ensuring habitable conditions, as noted in SEC.22.618.3(d)(1)ii.c. of the Los Angeles Administrative Code and Tenant Habitability Program ordinance as noted in Los Angeles Municipal Code, Chapter XV, Article 2. It is also the responsibility of the Project Sponsor to ensure proper coordination of the temporary relocation of tenants, including comparable accommodations for temporary relocation and Relocation Assistance Determination. When requested, the House LA-funded capacity building contractor may provide support via information and education to the tenants, the purpose of which is to advance the efficacy of quickly completing the rehabilitation, while making the current tenants as comfortable as possible.
- **Property Management:** Residents should be engaged in the process of ascertaining and deciding on the financial, physical and community health of the property. Resident engagement activities should at a minimum include:
    - Monthly office hours or informal gathering between property management and residents to discuss and resolve specific building issues as they arise (in addition to addressing issues that need immediate attention throughout the month). These meetings can also serve to build the capacity of residents to engage in ascertaining and deciding on property and asset management issues.
    - Quarterly residents' meeting 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.
    - Bi-annually at mid-year and end of budget year, meeting 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.

  When requested, the House LA-funded capacity building contractor may provide support via skill-building training and on-going support to residents, building owners (if applicable) and/or property managers, to support these activities and to promote collaboration. In order to ensure that residents can effectively engage in these activities, the Project Sponsor, and/or as requested, the contractor, will provide training directly to residents regarding building finance and operations, as well as skill-building strategies related to communication and decision-making. These activities may be launched with residents as early as before- or upon-acquisition, when desired and permitted by the seller.
- **Leasing:** In preparation for lease up of vacant units, and during the lease up period, the Project Sponsor and/or property management team will engage residents in development of the lease up plan, which should include neighborhood-based outreach to inform and market the available units to neighborhood residents in accordance with Affirmatively Furthering Fair Housing. When

the property is intended to convert to ownership, outreach must incorporate education on affordability compliance qualifications, and opportunity/plans for tenant-ownership. As requested, the Capacity-Building contractor will provide tools, templates, models and training to support this process, as well as supporting engagement with any centralized system that provides preferences or placement priorities.

- **Residents Council**: If residents desire, Project Sponsor staff will work with residents, the building's property manager, and potentially also the building's owner to support the formation of a Residents Council as a formal body to engage with the property manager and/or building owner regarding the above matters. Additionally, the Resident Council may represent the building when engaging with other neighborhood stakeholders such as its Neighborhood Council, elected and appointed representatives as well as area businesses to advocate for economic and quality of life improvements. As requested, the Capacity-Building contractor will provide tools, templates, models and training to support this process.
- **Resident Training:** Project Sponsor staff will organize training on an on-going basis to help residents learn about everything related to managing a residential building, including leadership, organizing, mediation, property management, asset management, building budgeting, systems & repairs, and tenant-landlord law. Project Sponsor staff will also assist residents and property managers to be clear about their distinct roles. As requested, the Capacity-Building contractor will provide tools, templates, models and training to support this process.

Section C. Minimum Required Resident Engagement Activities for Ownership

The following are activities that, at a minimum, are required for resident-owned properties funded through House LA's Acquisition and Rehabilitation of Affordable Housing Program:

- Financial, legal and design plans for ownership that should engage current residents and/or any elected Resident Council; and such plans should be structured to maximize retention of current residents and their conversion from tenants to owners.
- Cooperative ownership requires both financial preparation and cooperative skills that must be built over time, and whenever feasible, training and engagement in decision-making and legal formation by future cooperative owners should be incorporated into the process.
- If necessary and desired, the Project Sponsor may provide, or create access to resources, to work with residents to improve their credit scores, debt-to-income ratios, and remove other barriers in order to successfully qualify for mortgages and/or coop loans, as well as sustain ownership costs in the long-term. 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.
- The Project Sponsor and/or community partner will work with the resident-owner to:
    - Form either the Homeowners Association (HOA) or coop board (consistent with the ownership structure) and to elect its leaders/officers;
    - Assist the resident-owners and HOA or coop board to hire the property manager; and

- o Ensure -- on a monthly, quarterly and annual basis -- that the financial, physical and community health of the building is strong.

This formation/convening may occur before or after a rental-to-ownership conversion is completed, depending on how the process is designed. As requested, the Capacity-Building contractor will provide support and training; and by making case studies, models and templates available to the Project Manager, property manager and/or community partner, as well as provide direct technical assistance and support access to legal resources as needed, in addition to making available on-going training in leadership, organizing, mediation, property management, building budgeting, 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 coop boards, and individual residents.

Section D. Planning for the Unexpected

The buildings, whether rental or ownership, should incorporate financial strategies, during rehabilitation and in the long-term, to set up the building for long-term success. This is will include as a minimum the following:

- **Operating Reserves:** An operating reserve fund to provide a cushion for future shortfalls in the monthly/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. The requirement of the Operating Reserves should not limit the funds from being deployed as emergency housing-payment assistance with possible payback options as defined by each individual project.
- **Replacement Reserves:** A capital reserve fund to address the physical needs of the property and possible resident temporary relocation will be established through the development budget, and contribution to the replacement/capital reserves will be maintained as an on-going operating expense. Any lease with building owners -- whether a non-profit developer, a CLT, a tenant association, an LEHC, or individual homeowners -- will include requirements for establishment and maintenance of the replacement reserves.
- **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 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. One of the roles of the Capacity-Building contractor, as requested, will be to facilitate access to mediation resources and services, and to support intrapersonal and building-wide relationships.

ATTACHMENT 1: SUMMARY OF HOUSE LA REQUIREMENTS FOR ACQUISITION AND REHABILITATION OF AFFORDABLE HOUSING PROGRAM

House LA Program Section 22.618.3(d)(1)ii.c. of House LA establishes the Acquisition and Rehabilitation for Affordable Housing Program ("Program") for "the acquisition, preservation, rehabilitation, lease, or operation of existing housing including but not limited to rent-controlled properties, Residential Hotels, Accessory Dwelling Units, and Junior Accessory Dwelling Units, either without existing covenants requiring affordability or with such existing covenants that will expire within ten (10) years of project onset, as the Department defines that term consistently with the purposes of this article, or to pay the principal and interest on debt incurred for such purpose," subject to various conditions listed in the measure.

Section of House LA that relate to this Program are summarized here:

- Acquisition and Management: Housing units shall be acquired and 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 may qualify for funding by (a) partnering with an experienced non-profit organization as defined by the Department, or (b) showing evidence of staff capacity adequate to manage and administer the affordable housing project, through a process determined by the Department. (SEC.22.618.3(d)(1)ii.c.1.)
- Affordability: A majority of a property's units must be occupied by Lower Income Households upon acquisition, which shall be assumed if a majority of tenants return attestations that their incomes are at or below the lower-income level in a manner the Department shall determine. Notwithstanding the above, funds may be utilized for acquisition and rehabilitation of any property that was used as a Residential Hotel within the five years preceding the application for funding. (SEC.22.618.3(d)(1)ii.c.1.) 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. Additionally: 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.)

- 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.)
- Not Displacing Current Residents: Notwithstanding the affordability provisions set forth in Sections 22.618.3(d)(1)(i).a. and 22.618.3(d)(1)(i).b. of this Code, existing residents of properties acquired pursuant to this Acquisition and Rehabilitation of Affordable Housing program shall not be permanently displaced, even if their incomes exceed the Lower Income Household limits, or any lower income limit set for a unit. Projects shall achieve 100 percent occupancy by Lower Income Households (or any lower Project-specific income limit) over time through unit turnover. (SEC.22.618.3(d)(1)ii.c.4.)
- Resident Management and Resident Ownership: Through a process the Department shall determine, the entity that acquires a property shall submit a plan for engaging residents in building management and operations, which may include a plan for tenant ownership such as a Limited-Equity Housing Cooperative. The Department shall cooperate and facilitate plans for tenant ownership, and shall not unreasonably impose requirements that prohibit such ownership conversion. (SEC.22.618.3(d)(1)ii.c.5.)
- No Leveraging Required: Project funding may take the form of grants or loans, but shall not require the leveraging of additional forms of funding if such additional funding makes any of the conditions set forth in this subsection infeasible, or if funding precludes the future conversion of the property to tenant ownership. (SEC.22.618.3(d)(1)ii.c.6.)
- Fund ADUs/JDUs: Funds may be used to acquire, install, construct, or rehabilitate housing, including Accessory Dwelling Units ("ADUs") and Junior Accessory Dwelling Units ("JDUs"), so long as all ADUs and JDUs are used as affordable rental housing or affordable homeownership. The Department may verify the use of ADUs and JDUs covered by this provision from time to time. (SEC.22.618.3(d)(1)ii.c.7.)
- Acquiring Assisted Properties with Expiring Covenants: The Department shall facilitate the use of funds from this Acquisition and Rehabilitation of Affordable Housing program to make offers to

purchase assisted housing developments which are required to provide qualified entities an opportunity to purchase under California Government Code Section 65863.11 by acting within the deadlines established by that law. (SEC.22.618.3(d)(1)ii.c.8.)

- 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 are subject to a Project Labor Agreement. 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. (SEC.22.618.7).