

## **Appendix E**

### **Capacity Building for Tenant Ownership**

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## Article I. General Overview

### Section A. Introduction

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 Angelenos. The measure establishes robust funding to implement an array of homelessness prevention, tenant protection, housing production and housing preservation strategies. As a complement to these approaches, House LA Section 22.618.3(d)(1)ii.d. establishes that ten percent (10%) of the House LA Fund-Programs shall annually be allocated in the following percentages to the three program areas: (1) Homeownership Opportunities: Up to 40% of this Fund,(2) Capacity-Building for tenant-ownership: No less than 10% of this Fund, and (3) Operating Assistance: No less than 50% of this Fund. Although these three programs can exist and operate independently from one another, each provides essential funding to grow and diversify housing opportunities in Los Angeles.

- The Capacity Building Program, which based on this allocation will receive 1% of House LA Funds-Program on an annual basis, is described in the Measure as follows: *“The program will provide Capacity-Building funding for Community Land Trusts and other organizations that serve and have representative leadership from Disadvantaged Communities and facilitate tenant ownership.”*

For all but the highest income earners in the City of Los Angeles, pathways to homeownership are largely inaccessible due to the extraordinary cost of buying housing. House LA supports new models for collective homeownership for low-income households. Where ownership is not feasible, House LA supports greater tenant input into their building management.

House LA has created various opportunities for lower-income residents to develop additional authority over their housing, either through increased management responsibilities, or through a form of ownership. These opportunities are expressly included in the Alternative Models for Permanent Affordable Housing and the Acquisition and Rehabilitation for Affordable Housing Programs. The Alternative Models program requires that *“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.) and *“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.) The Acquisition and Rehabilitation program requires that *“...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.). House LA Affordable Housing Programs also allows multiple additional pathways throughout the measure for Community Land Trusts and Limited Equity Housing Cooperatives to be exempted from the transfer tax, and to pursue various pathways to establish eligibility as fund recipients. Through this language, House LA’s authors have created unprecedented

resources to position tenants to have a different relationship to their housing, with new benefits and also new responsibilities. These new benefits and structures of resident management and resident ownership will require infrastructure, and House LA is equipped to provide Capacity-Building for Tenant Ownership resources in order to build that infrastructure.

## **Section B. Program Summary**

Given the highly specialized nature of this program and that the necessary skills and expertise do not currently exist in-house, the Department will identify a contractor to carry out this program to inform, facilitate and support an alternative approach where residents are playing an enhanced role with their housing. In accordance with House LA's requirements, the Department will release a Request for Proposals (RFP) in order to solicit a qualified entity to convene and deliver capacity-building services that include design of resident management and ownership models; providing outreach services to inform stakeholders about opportunities; providing training and tools to residents as well as developers, owners and property managers regarding tenant engagement in governance, management, and/or ownership; and providing monitoring and compliance services. These functions are explained more fully in Article III, and will be described in detail through a Scope of Work included with the RFP.

## **Article II. Contractor Selection Process**

### **Section A. Eligible Proposers (Threshold Requirements)**

The Department will secure a Tenant Ownership Capacity-Building contractor ("contractor") to provide capacity-building resources, both directly and through subcontracted Community Based Organizations (CBOs) and other consultants, to perform the agreed-upon Scope of Work (See Article III). Proposers must meet all of the following threshold requirements:

- 1) Be a non-profit 501(c)3 organization with offices in the County of Los Angeles, in good standing with the California Secretary of State, and with a mission and/or program work that includes support of affordable housing and/or tenant rights initiatives;
- 2) Have a minimum of two (2) years of continuous experience within the past five (5) as a City of LA Contractor or subcontractor, performing services to tenants for the Los Angeles Housing and Community Development Department;
- 3) Not carry an outstanding debt which has not been repaid or for which a repayment agreement plan has not been implemented, if the proposer has previously contracted with the State of California or the City of Los Angeles. The proposer must not have any outstanding disallowed costs or other liability to the City under previous contracts with LAHD;
- 4) Have a minimum of four (4) years of experience identifying and subcontracting CBOs to perform tenant services that include outreach, curriculum design, and training; and
- 5) Has conducted research and program analysis in the fields of affordable housing and tenant-management/ownership.

- 6) Have one or more established partnerships with organizations that have active tenant-ownership projects, including Community Land Trusts and housing cooperatives.

**Section B. Evaluation Criteria**

The Department will review and score each complete and fully responsive proposal. Proposals shall be evaluated based on the following categories and may include consideration of any or all of the listed factors at the City’s sole discretion.

<b><u>EVALUATION CRITERIA</u></b>	<b><u>POINTS</u></b>
<i><u>Demonstrated Ability:</u></i> History and experience providing the scope of work for the City of Los Angeles and/or similar clients. Explanation of specialized experience related to the scope of work in terms of past accomplishments or work references, quality of the work performed, compliance with performance schedules and accuracy of deliverables.	30
<i><u>Qualifications:</u></i> Technical competence to perform the scope of work. Indication of expertise and knowledge base as it relates to the services for which the proposer is applying. Identification of key staff members, subcontracted CBOs and consultants who will provide dedicated support in the provision of services and their education, training and/or certifications.	30
<i><u>Service Approach:</u></i> Description of the methodology or protocol as to how the proposer intends to complete the scope of work, including by enlisting a collaborative of: 1) locally-based CBOs that have experience serving tenants or provide tenant-management/ownership training; 2) legal counsel with experience advising community- and tenant-ownership organizations; and 3) national experts in the field of tenant-ownership.	30
<i><u>Proposed Fees:</u></i> All proposed fees that are consistent with the scope of work. Fees will be rated based on reasonableness and appropriateness of the proposed fees in relation to all other proposals.	10
Total Points	100

**Section C. Proposal Review Timeline and Process**

The Department will issue an RFP, receive responses, conduct review of applications, and notify the selected applicant within 90 days of the start of the first House LA program year in which Capacity-Building funding is available. The RFP will include reference to the funding level recommended by the Citizens Oversight Committee and approved by City Council for the first program year, with indication that future annual funding amounts are pending Citizens Oversight Committee recommendation and Council approval.



The proposal review process shall include the following major activities to ensure that the procurement meets audit standards:

1. All proposals shall be reviewed to determine that the minimum eligibility criteria (threshold requirements) are met (See Article II, Section A). Ineligible proposers will be informed in writing.
2. All eligible proposals shall be reviewed, scored, and ranked.
3. Each eligible proposal shall be reviewed for costs that are reasonable, allowable, necessary, and competitive, as measured by a review of a line-item budget, and its competitive standing as compared to all other proposals.
4. At the City's sole discretion, oral interviews may be held with top-scoring proposers. The results of the oral review may determine the final funding recommendations.
5. Proposers shall be notified in writing about funding recommendations and evaluation results.

### **Section D. Contract Term**

The contract shall commence on or about November 1, 2024. All contract terms will be for a one-year period with an option to extend for up to two (2) additional one-year terms, subject to the availability of funds based on annual budgets recommended by House LA Citizens Oversight Committee and approved by City Council, contractor's continuing compliance with applicable Federal, State, and local government legislation, and an evaluation of contractor's performance in accordance with program goals and commitments as established by the Citizens Oversight Committee and pursuant to Article III of these Guidelines.

The first payment will be made at contract execution for the upcoming one year period. Subsequent payments will be made after submission and approval of all required financial and program reporting (See Article IV).

## **Article III. Capacity-Building for Tenant-Ownership Services**

### **Section A. Overview**

In the traditional affordable housing model, the developer becomes the owner and the residents remain in a prescribed role as tenants, and are not engaged either in decisions about their housing, or as potential owners. 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. Tenants are also not consulted on budgets and financial decisions about the building.

In order to prepare for these shifting roles and responsibilities of and among the developer, owner(s), property manager, and residents, the selected Tenant Ownership Capacity-Building contractor will be responsible for providing 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.
- 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, current residents, and potential future residents of projects that are seeking or have secured funding from House LA's Alternative Models of Permanent Affordable Housing and Acquisition and Rehabilitation of Affordable Housing program, as well as other publicly-funded affordable housing projects in the LA region that similarly deploy resident and community ownership models of permanently affordable social housing.

These Capacity-Building for Tenant Ownership Services are detailed in the sections below.

In the future, activities funded through the Capacity-Building program may also include predevelopment funding, working capital and/or equity for under-resourced and under-represented organizations seeking to develop expertise in resident management and resident ownership models. However, such activities should not be duplicative of predevelopment or other funds provided through the other House LA programs, and instead should uniquely target organizations that require additional and tailored resources to get these tenant-centered, innovative projects moving forward.

## **Section B. Design**

The contractor will conduct case study research and then design models that articulate various approaches to resident management and/or resident ownership that could be supported by either Alternative Models of Permanent Affordable Housing or Acquisition and Rehabilitation of Affordable Housing. The contractor will incorporate the case study research, analysis and subsequent models as a tool (as per Section D below) distributed to developers, community partners and residents interested in pursuing social housing models via House LA and/or other funding sources.

As an example, tenant-engaged housing models 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. When established as informal or formal groups, Resident Councils can have a substantial decision making role in the operations of their buildings. In smaller buildings, a council may involve all residents in the deliberation, decision-making and operating negotiation process; and in this situation, a formal organization may not be necessary; while in larger buildings, may want to incorporate, elect officers, and have a more formal process in its dealings with ownership and management. Like a union, this body can

negotiate the policies and decisions with the owner directly, but remains subject to the prescription of the funders. Direct and sole authority by residents over operations and building finances are likely to occur only through an ownership model, which may include individual or collective/cooperative structure, and will incorporate non-market features such as a resale formula or other shared equity strategy that supports the obligation under House LA's social housing programs to provide permanent affordability. An intermediate model could create an enhanced tenant role through a community-ownership strategy, such as when the owner – either a non-profit developer or an organization like a CLT – reserves seats on its Board of Directors specifically for residents.<sup>24</sup>

### **Section C. Outreach**

The contractor will provide outreach workers/organizers to inform affordable housing developers, tenant unions and other stakeholders about community- and tenant-ownership opportunities; and will educate community members who may be interested in participating in or supporting a future or current social housing project

The contractor will demonstrate the required cultural, linguistic, and community capacity to achieve the following objectives:

- EDUCATE 1. Inform residents, resident counsels, and CBO's about services being provided. 2. Communicate key messages about what services are provided for capacity building, and how to participate. 3. Effectively answer questions about capacity-building services. 4. Assess what services are needed.
- MOTIVATE 1. Share relevant and compelling information to motivate residents to participate in forming a resident council or housing cooperative 2. Address information concerns. 3. Encourage participation through trusted messengers and channels.
- ACTIVATE 1. Remind residents and CBO's to attend services or trainings. 2. Provide outreach in community venues to continue promoting services. Outreach should detail culturally and linguistically tailored strategies for educating, motivating, and activating the least likely to respond to residents. Strategies can mix what has worked in the past and innovative/creative ideas.

### **Section D. Training and Tools for Residents, Developers, Building Owners and Property Managers**

The contractor will provide training and support upon request to residents, developers, community members, building owners and property managers who are currently or plan to practice resident-engaged management, and/or pursue resident ownership. The contractor will support both rental and ownership projects throughout various stages of the development process, providing on-going training in residential leadership, organizing, mediation, property management, building budgeting, building systems and repairs, ownership financing, tenant-landlord law, HOA/coop members' rights and

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<sup>24</sup> See range of models at <https://shelterforce.org/2021/07/09/housing-solutions-centering-community-in-ownership-control-and-long-term-affordability/>

responsibilities, and other areas of needs identified by developers, property managers, Resident Councils, HOA or co-op boards, and individual residents.

The contractor may offer support with the formation and governance of Resident Councils, HOAs or co-op boards, if established, in conjunction with and at the request of developers, community partners, building owners and property managers, and/or the residents themselves. All interested residents regardless of governance and/or ownership model utilized can be trained in relevant subjects related to housing operations..

The 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.

For rental projects this can include: tools, templates, models and training to support predevelopment, leasing and/or property management activities, with an overall focus on tenants' training and education. If rehabilitation is required, the contractor can provide education to the tenants on their rights and the rehab process.

For ownership projects this can include: supporting the marketing plan, providing homebuyer training, forming Homeowners Association (HOA) or co-op boards, and providing ongoing training to ensure the financial health and sustainability of the buildings. The contractor's role may evolve over time based on future policies established by the City to advance resident management and ownership opportunities.

Among other tools, the contractor will create a Resident and Organizer Property Management/Oversight Training Manual, to be updated on-going.

### **Section E. Monitoring and Compliance:**

In order to create on-going improvement and maximize success, the City must establish a monitoring and compliance system for the new resident leadership requirements embedded in House LA's Alternative Models of Permanent Affordable Housing and the Acquisition and Rehabilitation of Affordable Housing programs, and integrate the monitoring and compliance with the aforementioned training programs and other capacity-building functions of House LA

- (1) *Regulatory Compliance:* The Department will utilize the contractor to monitor compliance of stewardship activities. This should include monitoring of regulatory agreements to ensure that cooperative housing or other resident-owned or resident-managed entities are in compliance with affordability and other requirements. At the Department's discretion, and in order to ensure sustainability of the monitoring and compliance practice, such services may be



compensated on a fee basis by the resident owned and/or managed communities, with such services and fees budgeted into the projects as confirmed through the underwriting process.<sup>25</sup>

- (2) *Resident Management Engagement:* Compliance activities should be geared toward ensuring long-term stability and operating solvency of the resident-owned and -managed properties, as well as ensuring adherence to any Resident Leadership Plan approved with funding applications. To maximize success and effectiveness, compliance monitoring should be integrated with evaluation procedures that engage residents and resident councils, as well as developers, building owners, community partners and property managers.
- (3) *Coordination:* The compliance monitoring and evaluation should also be coordinated with the training activities identified in the proceeding section, and may be most effectively carried out as an additional role of the contractor. In practice, the contractor will proactively engage the resident-owned and -managed communities when budgets need to be prepared, elections held or reports regarding affordability compliance submitted; provide them with training as necessary in each of these areas; and then monitor and oversee those activities.

#### **ARTICLE IV. Program Evaluation and Reporting**

The Department will also need to ensure that the City's investment of House LA's funds in resident management and resident ownership meets the House LA program goals and requirements. To generate opportunities for reflection, learning, troubleshooting, and co-creation of strategies for improvement, this should be an ongoing evaluation process.

*Evaluation Activities:* On an annual basis, or more frequently depending on terms defined in the grant, the contractor will provide a report to the Department. The goals of the report are to include but not be limited to: (1) ensuring that the contractor and the Department are co-learning about resident management and resident ownership best practices, (2) informing the Department about developer/owner participation in the program in order to create accountability assessing the impact of collective resident management and resident ownership goals of House LA, and (3) assessing developer/owner program compliance to ensure accountability measures are implemented and evaluating the racial equity of the program implementation.

*Commitment to Racial Equity:* Measure ULA was rooted in the acknowledgment that the City of Los Angeles must reckon with and directly address the systemic racism built into our neighborhoods and the housing in our City. Assessing the programmatic implementation through a racial equity lens will be critical to making sure that there is continued commitment to dismantling those systems and building capacity in a way that addresses and engages that history.

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<sup>25</sup> The City of New York has a fee-based system to support Limited Equity Housing Cooperatives through contractors that provide both compliance monitoring and training to the co-op residents/shareholders. See <https://www.nyc.gov/site/hpd/services-and-information/rfps-rfqs-rfeis.page>

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 Capacity Building Program seeks to enhance 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 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" The Year 1 report will include, as a minimum:

- Design of role, operation, functions and processes;
- List of training modules that have been developed or are in development and
- Racial equity metrics

In addition to the evaluation report on the program implementation produced by the contractor, metrics to gauge the contractor's success on-going will include:

- Numbers of properties, units and residents being supported by the contractor;
- General health of the properties (and if there are problems, the explicit plans to address them with residents' agreement);
- Staffing ratio;
- Number, type of training conducted and tools developed (for developers, community partners, property managers, and/or residents);
- Collaboration and cross-training activities with developer, community partners and/or property management staff;
- Participation numbers;
- General community satisfaction level (via resident surveys); and
- Racial equity metrics.