May 22, 2023

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Kathryn Barger

From: Rafael Carbajal
Director

FINAL REPORT ON DEVELOPING RECOMMENDATIONS FOR A TENANT OPPORTUNITY TO PURCHASE ACT FOR UNINCORPORATED LOS ANGELES COUNTY (ITEM NO. 5, AGENDA OF AUGUST 10, 2021)

On August 10, 2021, your Board directed the Department of Consumer and Business Affairs (DCBA), in coordination with the Los Angeles County Development Authority (LACDA), Department of Regional Planning, County Counsel, and in consultation with relevant stakeholders—such as community-based organizations, housing providers, and real estate professionals—to review best practices and report back on recommendations for the implementation of a Tenant Opportunity to Purchase Act (TOPA) policy and program (Program) for the unincorporated areas of Los Angeles County (County).[1] As authorized by this motion, DCBA engaged a consultant, HR&A Advisors, to conduct stakeholder outreach, conduct research and analysis on relevant policies from across the country, and produce a comprehensive report that outlines a proposed TOPA policy framework for Board consideration.

The attached final consultant report (Attachment A) synthesizes months of stakeholder engagement and research conducted on TOPA and related policies. Specifically, the report covers the following topics:

- Background on the local need for a TOPA Program, including housing market trends and existing housing and tenant protection policies;
- Overview of TOPA policy principles, goals and priorities, with illustrative examples and case studies;

[1] https://file.lacounty.gov/SDSInter/bos/supdocs/160931.pdf

- Feedback collected on local interest in a TOPA Program, including a summary of stakeholder outreach sessions conducted with tenant advocates, property owners, real estate professionals, and affordable housing developers;
- Recommended TOPA policy design, including policy goals and priorities, a bifurcated policy framework for small (two to four units) and large (five plus units) property types, and key TOPA program parameters for Board consideration; and
- Implementation strategies to support a robust ecosystem for a local TOPA Program, including strategies that address program administration and operations; technical service needs for qualified purchasers; program funding and financing; and program systems and data tracking.

OVERVIEW OF TOPA

Opportunity to Purchase Acts (OPA) are policies and regulations that grant Qualified Purchasers (QPs)—such as existing tenants, tenant organizations, local governments, and mission-driven affordable housing developers—with the Right of First Offer (ROFO) and/or the Right of First Refusal (ROFR). In the context of an OPA, a property owner must provide QPs an opportunity to make the first offer on a property, the ROFO, before they offer it for sale or accept any offer to purchase. Similarly, before the property owner may sell to a third party, they must first provide QPs an opportunity to match a third-party offer—the ROFR. These rights create a more even playing field for QPs to compete with third-party purchasers to acquire residential real estate for a variety of purposes, including providing homeownership opportunities to certain types of QPs, preserving housing affordability, and protecting tenants from displacement.

TOPA policies typically designate existing tenants as the QPs. TOPA policies often work to support tenant empowerment and homeownership access. Correspondingly, Community Opportunity to Purchase Act (COPA) policies typically designate mission-driven affordable housing developers as QPs. COPA policies often aim to support affordability preservation and anti-displacement. The recommended TOPA policy framework outlined by HR&A Advisors in Attachment A, and summarized in the following sections, is a hybrid TOPA/COPA model that seeks to incorporate elements of both to fulfill specific policy goals and priorities (also outlined in the report below).

CONSULTANT RECOMMENDATIONS

The attached consultant report provides the County with a comprehensive policy framework and operational guide that can be utilized to help establish a TOPA Program to protect tenants from displacement pressures, promote the preservation of naturally occurring affordable housing, and provide renter households with the opportunity to build intergenerational wealth through the home buying process. The following list of recommendations, outlined in more detail in Attachment A, lays out a path forward for the County should your Board choose to pursue adoption of a TOPA ordinance and program in the future:

Policy Goals and Priorities

Given the housing and policy context of unincorporated areas within the County, a potential TOPA Program should prioritize the following as primary goals:

1. **Prevent tenant displacement** and meaningfully improve the health, social, and economic well-being of renter households; and

2. **Preserve affordable housing** to expand the pool of affordable housing options to best serve vulnerable populations such as low-income renter households.

Policy Design and Program Framework Recommendations

With the above policy goals in mind, HR&A Advisors recommends a tiered TOPA Program approach based on property size (bifurcated by smaller properties with two to four units and larger properties with five plus units).

HR&A Advisors does not recommend the adoption of TOPA for single-family homes in the proposed policy framework due to the high administrative and per-unit acquisition costs associated with these types of transactions along with the potential for large disruptions to the local real estate market, which would potentially outweigh the benefits of enacting such a policy. In addition, single-family homes comprise the vast majority of properties sold on an annual basis in the County and this would require the County's TOPA Program Administrator (DCBA being the recommended entity) to manage a much larger registry system for TOPA transactions and would significantly drive up the costs of overseeing such a program. Lastly, the sales of these types of properties would be very complex to enforce under categorial reporting exemptions in many housing databases, including under the County's Rent Stabilization and Tenant Protections Ordinance, which would cause administrative challenges and additional costs. The potential inclusion of single-family homes under an adopted County TOPA ordinance could be revisited by the County and DCBA once they are able to ramp up a functional system with the support of a strong TOPA ecosystem, which could include provisions for elderly tenants, individuals with disabilities, or single-family rental properties owned by corporations.

An adopted TOPA ordinance for the County would provide tenants living in covered rental properties, Tenant Organizations (TO) representing the majority of tenants living in a covered property, or Pre-Qualified Organizations (PQO) that would work with tenants to preserve housing affordability with ROFO and ROFR. Individual tenants, TOs, and PQOs, collectively referred to as Qualified Purchasers (QP), would wield the ROFO and ROFR as the primary tools to participate in the sale process of the property. The figure below summarizes various program recommendations outlined in extensive detail in the consultant report, including the applicability of the proposed TOPA policy for covered property types, applicability of mandated affordability restrictions for tenants living in properties bought through TOPA, recommended transaction timelines for property sales subject to TOPA, and QP eligibility for assignment of ROFO or ROFR under TOPA:

Figure 1: Overview of Preliminary TOPA Program Recommendations

<table>
<tr><th rowspan="2"></th><th rowspan="2">Qualified Purchasers</th><th rowspan="2">Affordability Mandate</th><th colspan="3">Transaction Timeline[2]</th><th rowspan="2">Types of Rights</th><th rowspan="2">Assignment of Rights</th></tr>
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<tr><td>Smaller Properties
(2-4 Units)</td><td>Collective Tenancy, Individual Tenant</td><td>None</td><td>Up to 15 days</td><td rowspan="2">Up to 25 days + 7 days (w ROFR)</td><td rowspan="2">Up to 90-120 days</td><td rowspan="2">Right of First Offer (ROFO) + Right of First Refusal (ROFR) [3]</td><td rowspan="2">To Pre-Qualified Organizations (PQO) Only</td></tr>
<tr><td>Larger Properties
[5+ units, mobile home parks (MHP)]</td><td>Primary: Tenant Organizations (TOs)
Secondary: Pre-Qualified Organizations (PQOs)</td><td>Income and Rent Limits</td><td>Up to 30 days (Up to 60 days for MHPs)</td></tr>
</table>

HR&A Advisors recommends that the County and its TOPA Program Administrator evaluate the following key program parameters before making final ordinance and program determinations and build in mechanisms for operational adjustments based on program performance:

1. QPs and Assignment Rights
    a. **For smaller properties (i.e., two to four units), the TOPA Program should limit QPs to individual tenants and collective tenancy** and allow them to assign their rights to and/or partner with a list of PQOs, such as community land trusts and affordable housing developers, to maximize tenant rights and provide homeownership and wealth building opportunities.

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[2] All days are calendar days.
[3] ROFO grants qualified purchasers an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make a final offer.

b. **For larger properties (i.e., five or more units), the TOPA Program should include both Tenant Organizations and PQOs as QPs and provide Tenant Organizations a priority right.** This can enhance tenant rights and protection while providing opportunities for PQOs to preserve affordability and mitigate displacement when tenants do not have the resources to do so directly.

2. Eligible Properties and Exemptions
    a. **In general, the TOPA Program should include properties with two or more units as eligible properties.** For PQOs, eligible properties should be limited to larger properties where displacement risk is the greatest.

    b. **Standard exemptions** should include, but not be limited to, owner-occupied properties up to four units, newly built properties, transactions among family members, properties subject to specified disposition process, and transactions with no transfer of property control.

3. Affordability Restrictions
    a. **For smaller properties, the TOPA Program should not mandate affordability requirements to maximize tenant choice** where there is the greatest opportunity for ownership and accompanying wealth generation.

    b. **For larger properties, the TOPA Program should mandate rent and income restrictions to ensure affordability preservation**. Rent limits are recommended not to exceed 30 percent of 80 percent Area Median Income (AMI) as adjusted for household size. Income limits should not exceed 120 percent AMI as adjusted for household size to be aligned with most first-time homebuyer programs.

    c. **TOPA Program transactions should not result in the displacement and eviction of existing tenants.**

4. Transaction Timeline
    a. **The exclusive Statement of Interest and Due Diligence periods for QPs to submit an offer should strike a balance between ensuring QPs' ability to effectively use the TOPA Program and minimize market disruptions** (i.e., 40 days for smaller properties, 55 days for larger properties, and 85 days for mobile home parks).

    b. **The Closing Period after Offer Acceptance should allow 90-120 days for QPs to complete the purchase process, depending on the funding and financing ecosystem for TOPA projects** (i.e., the required timeline for public and non-profit financial institutions to underwrite and close transactions).

Operational, Budget, and Technical Support Recommendations

To support the successful implementation of the proposed TOPA Program, HR&A Advisors recommends a series of actions to strengthen the local TOPA ecosystem and existing programs and systems that would support implementation of TOPA. It is envisioned that all recommendations should be completed during a suggested 18-month implementation period to coincide with the TOPA Program's launch, including:

1. Program Operations and Budget
    a. **Create a TOPA Program Implementation Committee.** This committee will be responsible for overseeing the successful implementation of the preferred program design and will ensure interdepartmental communication on topics of staffing, funding, and information management.

    b. **Assign DCBA to serve as the TOPA Program Administrator with support from other County departments.** DCBA staff should serve as the TOPA Program's project manager with assistance from other departments for key support functions, such as LACDA and its experience in administering public funding and the prequalification system for non-tenant QPs.

    c. **Size internal staffing for general program administration to match TOPA Program transaction targets.** Based on the recommended program design, there is a need for approximately two **Full Time Equivalents (FTE)** of fully dedicated staff to support the administrative aspects of program operations, for a **total annual cost of approximately $500,000.**

    d. **Create synergies with other departments and existing staff to carry out core program support functions.** DCBA should clearly identify lead departments and staff for each responsibility and consider actions to reduce the immediate staffing burden. **The TOPA Program will require an additional 15 FTEs within DCBA and other departments, on top of program administrative staff, with a total expected, annual cost of $2 million.**

2. Technical Support Services
    a. **Dedicate funding to community benefit organizations for education and tenant organizing.** The County should allocate a portion of its **Community Development Block Grant** funding for housing counseling with **annual allocations of at least $500,000** to fund tenant advocates and educational service providers.

    b. **Create tools to proactively identify at-risk properties and allow targeted and efficient deployment of technical services.** Property information should include building characteristics as well as area demographic information, such as racial characteristics and household income profile. **This information could be integrated with the County's TRACT tool administered by LACDA.**

    c. **Phase in enforcement of transaction reporting for the TOPA Program to educate the real estate community.** The first year of the Program can focus on educating brokers, realtors, and sellers on their responsibilities with enforcement occurring thereafter to ensure a smooth transition to a TOPA-governed real estate market.

3. TOPA Program Development Funding and Financing
    a. **Enhance the existing preservation fund, L.A. County Housing Innovation Fund (Innovation Fund), to support TOPA Program transactions.** LACDA will play a key role in updating the Innovation Fund's funding guidelines, administering the QP prequalification and recertification processes, and funding awards—while leveraging external community development financial institutions for fund management support. Specific recommended changes to the preservation fund to support TOPA Program transactions include:

        i. **Increase the flexibility of the loan-to-value ratio to above 100 percent.** Predevelopment loans should cover a variety of costs, such as attorney or development consultant, environmental study, appraisal, physical needs assessment, earnest money deposit, and acquisition-rehab needs. The County, through their own sources or fundraising through non-profits and philanthropy, will need to identify top loss funds to enable these expenses while maintaining a reasonable cost of funds.

ii. **Verify funding availability ahead of the TOPA transaction due diligence period.** Allowing QPs to secure an initial approval of takeout sources can increase competitiveness of QP offers, where sellers typically look for 20-day due diligence periods compared to LACDA's 45-day minimum.

b. **Identify new funding sources for preservation efforts to make QPs competitive with market transactions.** Examples of potential new funding sources could include philanthropic funding and potential tax measures.

c. **Consider creating a strike fund for Tenant Organizations and PQOs to support property acquisition.** This fund would offer tenants access to short-term capital to cover predevelopment costs, including an earnest money deposit, which an owner can request from a QP exercising their Right of First Offer and cost up to three percent of the offer price. Upon acquiring permanent financing, the strike fund loan would be repaid in full. PQOs can also benefit from this funding source as a form of bridge financing to close transactions within the program-designated timeline.

4. Program Systems and Data Tracking
    a. **Design and house a Notice of Sale registration system.** This system would allow property owners to register when they intend to list their property and send out automatic notifications to TOPA Program QPs for an opportunity to submit a Statement of Interest.

    b. **Consider existing data infrastructure when designing the TOPA Program's data collection system.** Intake forms should strive to avoid duplicating efforts, streamline the real estate transaction process, and minimize market friction and administrative burden. DCBA should work with the Assessor to explore opportunities to modify existing forms, such as the Change in Ownership Statement form, to include TOPA Program information, namely the assignment of rights. Additionally, DCBA should consider updating its rent registry to collect additional voluntary tenant characteristics, including presence of households of color, household size, and more specificity on existing items, such as the income/AMI range of households.

    c. **Establish key performance metrics to ensure compliance, evaluate program effectiveness, and further equity goals.** Goals should be both related to enforcement as well as performance for the program, and progress should be easily tracked through the creation of program dashboard.

Recommended Implementation Plan and Timeline

HR&A Advisors identified six implementation stages for a TOPA Program for the County. This process, from socialization to launch, should last no longer than 18 months, with approximately six months dedicated to outreach and public approvals followed by 12 months dedicated to program implementation.

1) **Socialize the proposed program.** DCBA should carry out a series of outreach and public engagement meetings to ensure all stakeholders understand the proposed TOPA Program and have a chance to weigh in on the program's design characteristics. This work should include engagement of the general public, as well as focus groups with tenant groups, landlords, developers, financiers, brokers, and other real estate professionals.

2) **Select the program design.** DCBA should present its recommendations internally to relevant committees and the Board of Supervisors, who will be responsible for approving and funding the ultimate program design.

3) **Establish a Program Implementation Committee.** An Implementation Committee will be responsible for guiding the implementation of the preferred program design and ensuring successful allocation of staffing and departmental resources for effective program delivery. Administered by DCBA, this committee would consist of DCBA staff, other departmental staff, such as representatives from LACDA, Office of the Assessor, CEO, Board of Supervisors, Regional Planning, and Internal Services who report directly to the DCBA project manager.

4) **Develop an operating model.** The Committee will develop an operating model and partner with Human Resources to create new staff classifications and hire new employees. It will also partner with IT to ensure the proper administration and monitoring systems are in place. Finally, the Committee will also need to plan internal and external communications with County staff, tenants, and other TOPA Program stakeholders to ensure a smooth launch.

5) **Develop a program reporting framework and strategic plan.** The Committee will establish reporting norms, program objectives, and measurement metrics to ensure successful monitoring of the program, tracking of successes, and a process for evolving the program over time to be most effective at meeting County goals.

6) **Launch the TOPA Program.** Prior to the launch, DCBA, working closely with LACDA, should issue a Request for Qualifications (RFQ) to develop a pool of PQOs to immediately act on potential TOPA Program sales. The County should develop a noticing plan to ensure sufficient notice to all stakeholders.

After the Program launches, the County should monitor the program and consider refinements after a period of approximately five years (the specific period may be defined by the Program Implementation Committee).

CALIFORNIA ASSEMBLY BILL (AB) 919

California Assembly Bill (AB) 919,[4] the *Stable Homes Act* authored by Assemblymember Ash Kalra, would establish a statewide ROFO and ROFR for tenants living in any type of residential rental property, including single-family homes and multi-family residential properties, and other types of qualified entities (as defined in the bill). The framework outlined in AB 919, as currently written, would establish a tenant opportunity to purchase policy that parallels the TOPA policy framework outlined by HR&A Advisors in their report, with several noteworthy differences that may supersede the provisions of a local policy and should be considered by the County should it move forward with the adoption of a TOPA policy:

- The bill includes a ROFO and ROFR for tenants living in single-family rental properties.
- Owners of vacant multi-residential properties would be subject to the notice requirements outlined in the bill. The bill includes different timelines for the execution of certain transaction milestones outlined in the recommended TOPA policy framework for the County:
    - 10 days for tenants/qualified entities to submit a Statement of Interest (regardless of the property type)
    - 20 days for tenants/qualified entities to meet with the property owner to confirm interest in purchasing the property after receipt of the property disclosure package (regardless of property type)
    - 40 days for tenants/qualified entities to submit an offer of sale for properties with four or less units after receipt of the property disclosure package
    - 60 days for tenants/qualified entities to submit an offer of sale for properties with five or more units after receipt of the property disclosure package
    - 10 days for tenants/qualified entities to exercise their ROFR and submit a matching offer if the property owner accepts a third-party offer of sale
    - 10 days for tenants/qualified entities and property owners to enter into a voluntary agreement, after the execution a purchase contract, that outlines the timeline for the tenant/qualified entity to secure financing and close the transaction. If both parties fail to enter into a voluntary agreement, the

[4] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB919

following timelines would apply for the tenant/qualified entity to secure financing:

- 30 – 45 days for single family properties after the acceptance the offer of sale
- 90 – 120 days for two to four-unit properties after the acceptance the offer of sale
- 120 – 160 days for five plus unit properties after the acceptance of the offer of sale

A summary of the differences highlighted above are illustrated in Figure 2 below.

Figure 2: Comparison of AB 919 & County TOPA Timelines

	Number of Days Allowed for Tenants/Qualified Entities to Accomplish Transaction Milestones					
	County TOPA Proposal			**AB 919**		
	Property Type			**Property Type***		
Milestone	**2-4 Units**	**5+ Units**	**Mobile Home Park**	**Single-Family**	**2-4 Units**	**5+ Units**
Submit a Statement of Interest	15	30	60	10		
Meet with property owner to confirm interest in purchasing	N/A			20		
Submit an Offer of Sale/conduct due diligence	25			40		60
Exercise Right of First Refusal to match an accepted third-party offer	7			10		
Enter into voluntary agreement to outline a timeline for closing the transaction	N/A			10		
Secure financing and close transaction**	90 - 120			30 - 45	90 - 120	120 - 160

**The Mobilehome Park property type timelines under AB 919 are dictated by the number of units on the park*

***Closing timelines for AB 919 are default timelines that only apply if the tenant/qualified entity did not enter into a voluntary agreement*

To add, AB 919 includes a provision that permits local jurisdictions to enact their own ROFO, ROFR, or other types of opportunity to purchase protections and to expand on the provisions of state law to implement “stronger rights to purchase” for tenants and qualified entities. Where there might be conflicts between state law and a local ordinance or regulation, the bill includes language that allows the provision with the “stronger rights to purchase” to prevail. “Stronger rights to purchase” in this context include the following:

a) A longer period of time for a qualified entity, including a tenant or resident organization, to make or consider an offer, to secure financing, or to otherwise close the deal on purchasing the property.

b) Additional eligible properties, including single-family residential real properties, and additional qualified entities or tenants who can make or match an offer.

c) A longer term of affordability restrictions on the residential real property and longer terms of tenancy for existing or future tenants.

As a two-year bill, AB 919 will not be advanced in the first year of the current legislative session (2023) but will be carried over into year two (2024) for consideration by the State legislature. Therefore, DCBA, in collaboration with the CEO Legislative Affairs and Intergovernmental Relations Office (CEO-LAIR), will continue to monitor this bill and will further explore the potential impacts of this bill on the County and the proposed TOPA policy framework should it pass in the future.

DCBA RECOMMENDATIONS AND NEXT STEPS

The recommendations outlined by HR&A Advisors in their report were thoughtfully constructed through months of work with DCBA and other County departments, engaging key stakeholder groups, and conducting rigorous research and analysis on TOPA policies from across the country. The recommended policy framework attempts to strike a balanced approach to implementing a TOPA Program for the County that fulfills the goals of preventing tenant displacement and preserving affordable housing while minimizing disruptions to the local real estate market. In addition, the consultant report lays out a recommended implementation timeline of 18 months that provides the County and DCBA (as the recommended program administrator) with ample time to gather additional stakeholder feedback, identify operational and housing development funding, draft and adopt a TOPA ordinance, and ramp up and launch a TOPA program. As such, DCBA formally endorses the adoption of the consultant recommendations highlighted in this report back and formally requests that your Board consider taking the following actions to help the County fully realize the recommendations outlined herein:

1. Direct DCBA to proceed with the development of a TOPA Program for the unincorporated areas of the County, as laid out in the HR&A Advisors report, with consideration for the provisions outlined in California Assembly Bill 919 and the impact the bill would have if passed in the second year of the current legislative session;

2. Direct DCBA to conduct stakeholder engagement meetings and focus groups, within 180 days, to gather feedback from the public on the recommended policy framework for TOPA;

3. Direct County Counsel, in collaboration with DCBA, LACDA, and Assessor to develop a draft ordinance, based on the recommended framework outlined in this report back, and return to the Board within 270 days for Board consideration;

4. Direct CEO, in consultation with DCBA and LACDA, to identity funding for the implementation of a TOPA ordinance and program, as outlined in the HR&A consultant report, which will include operational costs and development funding for TOPA projects, and to report back to the Board within 180 days;

5. Direct CEO, in consultation with DCBA, to engage the Los Angeles County Affordable Housing Solutions Agency (LACAHSA) on potential funding opportunities under the purview of the new agency for implementation of a TOPA Program; and

6. Grant delegated authority to DCBA to enter into agreements with consultants to further explore the development and implementation of a TOPA program, as needed, and to conduct stakeholder engagement meetings and focus groups.

Should you have any questions concerning this report, please contact me or Manuel Ruiz, Acting Chief of the Public Policy Unit, at (213) 454-0132 or mruiz@dcba.lacounty.gov.

RC:JA:CO
MR:EV:ph

Attachment

c: Executive Officer, Board of Supervisors
Chief Executive Office
County Counsel
Assessor
Department of Regional Planning
Los Angeles County Development Authority

TOPA Program for Unincorporated Los Angeles County

Los Angeles Department of Consumer & Business Affairs

April 2023

Judith Taylor, Partner-in-Charge

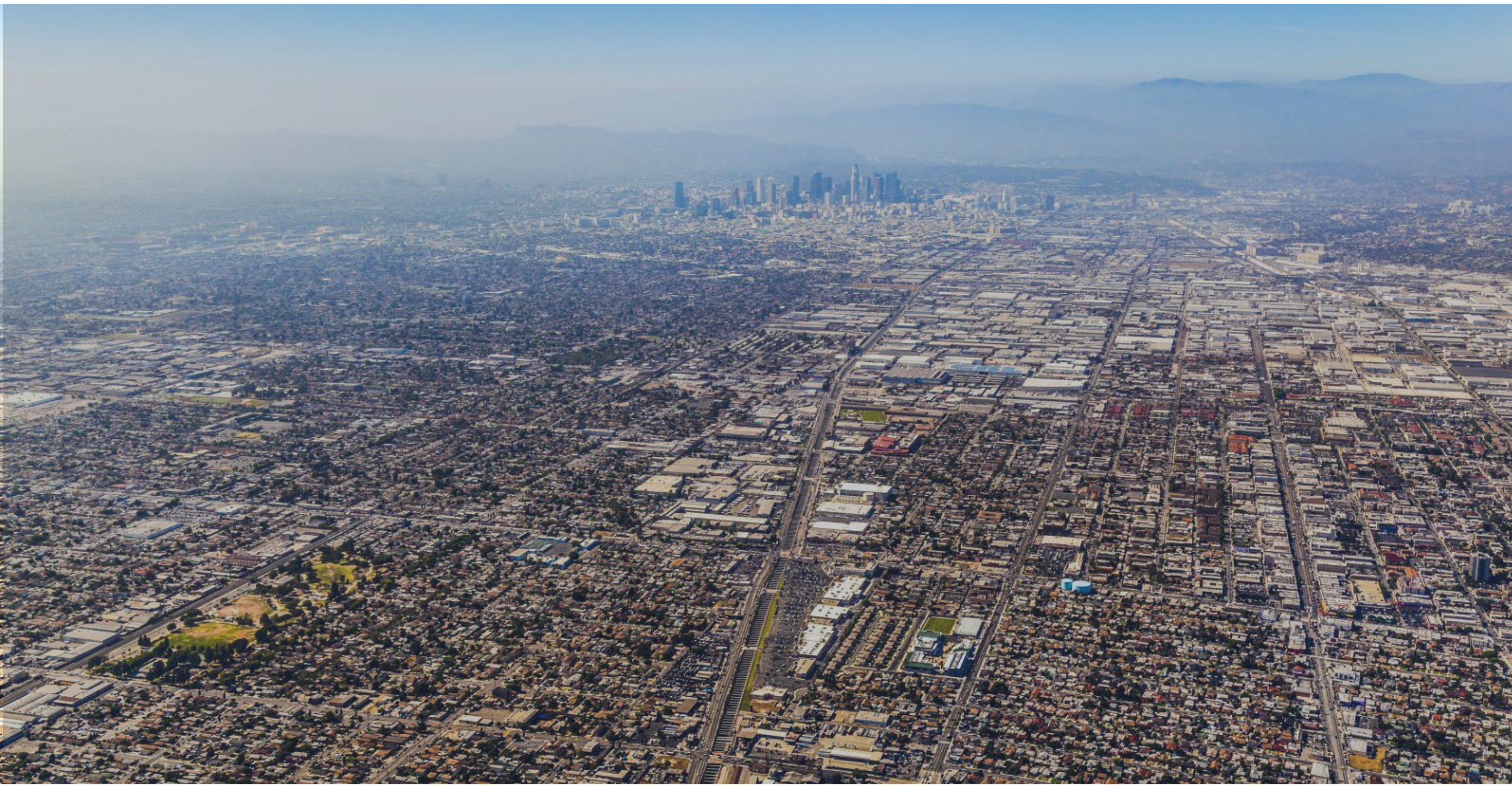

Table of Contents

EXECUTIVE SUMMARY 3
INTRODUCTION 5
NEED FOR A TOPA POLICY AND PROGRAM 7
TOPA PROGRAMS IN ACTION 17
LOCAL INTEREST IN A TOPA POLICY AND PROGRAM 22
POLICY DESIGN AND PROGRAM RECOMMENDATIONS 25
IMPLEMENTATION STRATEGIES AND SUPPORT 44
SUMMARY OF KEY RECOMMENDATIONS 64
APPENDIX A: GLOSSARY 68
APPENDIX B: CASE STUDIES 70
APPENDIX C: SUMMARY NOTES OF STAKEHOLDER OUTREACH 130

Executive Summary

In August 2021, the L.A. County Board of Supervisors passed a motion and directed the **L.A. Department of Consumer and Business Affairs (DCBA)** to develop recommendations for a potential **Tenant Opportunity to Purchase Act (TOPA)** policy and program for Unincorporated L.A. County.[1] The proposed TOPA policy and program would build upon and complement other renter protection and anti-displacement programs, including COVID-19 Rent Relief, Stay Housed L.A., foreclosure prevention and mortgage assistance programs, and the Community Land Trust (CLT) Pilot Program.

An **Opportunity to Purchase Act** is a suite of policies and regulations granting Qualified Purchasers (QPs)—such as existing tenants, local governments, or mission-driven affordable housing developers—the Right of First Offer and/or Right of First Refusal when eligible properties are listed for sale. Policy and programs through a **TOPA** have a specific focus to include existing tenants as the QP and are often adopted to achieve policy objectives including **tenant empowerment, anti-displacement, affordability preservation, and expanding homeownership access**. L.A. County's need for a TOPA policy and program is driven by the rising affordability crisis and the long-standing inequitable access to homeownership. With demand for housing units continuing to outstrip supply, growth in rental rates have far outpaced household incomes. This trend has contributed to increased rates of homelessness and housing cost burden among renters particularly for Black and Hispanic or Latino renter households.

A tiered TOPA program approach based on property size, as summarized in Figure 1, is best suited for Unincorporated L.A. County. **Smaller properties (i.e., two to four units) can be great entry-level homeownership and wealth building opportunities for tenants.** Limiting QPs for smaller properties to individual tenants and collective tenancy with assignment rights only to a select pool of Pre-Qualified Organizations, such as affordable housing developers and community land trusts, will help maximize tenant rights and mitigate displacement risks. **Larger properties (i.e., five or more units) present greater opportunities to preserve affordability with an affordability mandate and mitigate displacement**. Having Tenant Organizations as the primary type of QP enhances tenant rights and equips tenants with the opportunity to decide the future of the property. Meanwhile, it is equally important to include a select pool of Pre-Qualified Organizations as secondary QPs since they have more experience and resources to close larger scale transactions and preserve long-term affordability.

[1] L.A. County Board Motion, Retrieved from: https://file.lacounty.gov/SDSInter/bos/supdocs/160848.pdf

Figure 1. An Overview of Preliminary TOPA Program Recommendations

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</table>

In addition to its design, an effective TOPA policy and program also requires a robust ecosystem. This ecosystem should have 1) adequate **administrative and staffing support** to execute and monitor TOPA program transactions, 2) **supporting policies** like right to organize, 3) a variety of **technical assistance** services to expand the capacity for tenants and other QPs to exercise their TOPA rights, 4) streamlined **funding/financing** processes to make TOPA purchases competitive with market-rate offers, and 5) comprehensive **data tracking systems** to evaluate program performance and provide guidance on future refinement. As a brand-new concept in Southern California and a significant change for the real estate market, a TOPA policy and program will require not only expansion of existing services and resources but also creation of new ecosystem capacities, notably around new funding sources and sale notification processes and systems.

The TOPA policy and program should be **implemented over a period no longer than 18 months**. Approximately six (6) months would be dedicated to socializing the program to stakeholder groups as well as pertinent L.A. County departments. This would be followed by 12 months of program development **overseen by a TOPA Program Implementation Committee** of interdepartmental leaders to coordinate on topics of internal staffing, funding, and information management. In addition to developing the operating model, this Committee would establish a reporting framework and strategic plan to measure the program's success in meeting the County's goals.

[2] All days are calendar days.
[3] ROFO grants qualified purchasers an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make a final offer.

Introduction

In August 2021, the Los Angeles County Board of Supervisors passed a motion and directed the Department of Consumer and Business Affairs (DCBA) to develop recommendations for a potential Tenant Opportunity to Purchase Act (TOPA) policy ("the Policy") for Unincorporated L.A. County[4]. The primary goals of the policy would be to, first, prevent tenant displacement and meaningfully improve the health, social and economic well-being of renter households; and to, second, preserve affordable housing to expand the pool of affordable housing options to best serve vulnerable populations such as low-income renter households. The TOPA policy would build upon and compliment other renter protection and anti-displacement programs including COVID-19 Rent Relief, Stay Housed L.A., Foreclosure Prevention and Mortgage Assistance programs, and the Pilot Community Land Trust (CLT) Partnership Program.

DCBA engaged a team led by HR&A Advisors and supported by the Local Initiatives Support Corporation of Los Angeles (LISC LA) and Change for Good Consulting (based out of Washington, D.C.) to help advance this effort. The team facilitated workshops with County stakeholders to discuss program goals and policy priorities as well as external stakeholders including tenant advocates, property owners and real estate and affordable housing industry experts to gather information. Then, the team conducted desktop research and interviews with jurisdictions with precedent programs. Based on best practices and lessons learned, we reached a set of preliminary recommendations on program design and implementation strategies including the required ecosystem, funding support, staffing costs and data tracking needs.

This report provides a summary of the context and needs for a potential TOPA program along with preliminary program design and implementation recommendations on how the policy could support tenant protection, anti-displacement and expand ownership access for L.A. County unincorporated area.

Figure 2. Los Angeles County Opportunity to Purchase Assessment Process

Policy Goals & Priorities	**Stakeholder Outreach**	**Review Best Practices**	**Preliminary Recommendations**
• County workshops and interviews to discuss goals and priorities • DCBA • LACDA • LA CEO • Supervisor District Offices • County Counsel	• 5 stakeholder workshops with tenant advocates, property owner & real estate industry representatives, affordable housing industry experts • 10+ individual interviews	• Washington, D.C. TOPA • San Francisco COPA • Montgomery County ROFR • Prince George's County's ROFR • Connecticut's Manufactured Home Park ROFR[5]	• Program design key parameters • Ecosystem support • Funding and staffing assessment • Data tracking tools

[4] L.A. County Board Motion, Retrieved from: https://file.lacounty.gov/SDSInter/bos/supdocs/160848.pdf
[5] TOPA: Tenant Opportunity to Purchase; COPA: Community Opportunity to Purchase; ROFR: Right of First Refusal

In addition to the Executive Summary which presents a brief summary of the report, the report includes the following sections:

- **INTRODUCTION** – Provides an understanding of the purpose of this analysis and the overall methodology for this work
- **NEED FOR A TOPA** - Challenges to affordable housing and equitable access to homeownership in L.A. County
- **TOPA PROGRAMS IN ACTION** - How a TOPA policy could mitigate residential displacement and expand opportunities to homeownership and wealth generation
- **LOCAL INTEREST IN TOPA** – The importance to balancing trade-offs among various stakeholders.
- **POLICY DESIGN AND PROGRAM RECOMMENDATIONS** – The program design considerations to meet policy priorities
- **IMPLEMENTATION STRATEGIES AND SUPPORT** – The ecosystem required to support implementation
- **SUMMARY OF KEY RECOMMENDATIONS** – A summary of key recommendations on policy design and program implementation

Need for a TOPA Policy and Program

L.A. County has been a strong residential investment destination since the early 2000s, which is demonstrated through its steady increase in property appreciation over the past two decades as well as short transaction timelines and the consistently higher sales price above asking across all property types. Without policy intervention, existing renters face potential displacement risks as housing costs keep rising beyond affordability.

Displacement is generally defined as the involuntary relocation and/or exclusion of residents from an area, often driven by rent escalations, increases in property values, and evictions without just cause.[6] Direct displacement occurs when residents are forced to vacate the building due to inability to pay rent caused by rising housing costs or lease non-renewals, evictions, eminent domain, or poor physical conditions that render buildings uninhabitable. Indirect/exclusionary displacement occurs when low-income residents cannot afford to move into the units that are vacated by former low-income residents. Displacement often occurs in neighborhoods that have suffered from historic underinvestment and are adjacent to areas with potential growth and infrastructure investment. As nearby property values and rent prices rise, long-term residents are often pushed out of their neighborhoods and unable to access the new economic, environmental, and health benefits brought to the community. Displacement pressures have historically and still unequally impact households of color due to differences in income, wealth, and access to mortgage financing.

Opportunity to Purchase Act (OPA) policies are often adopted as a direct market intervention tool. OPA policies have a track record of preserving affordability as they mitigate displacement risks and enhance tenant protection. Washington D.C. adopted its TOPA ordinance in 1980, and San Francisco adopted its Community Opportunity to Purchase Act (COPA) program in 2019. At present, the cities of Berkeley, Oakland, and San Jose are exploring similar strategies. Given the housing market context in L.A. County, a well-designed TOPA policy and program, with the support of a local ecosystem, would complement the County's existing efforts to improve tenant protection and anti-displacement.

Figure 3. Defining an Opportunity to Purchase Act (OPA)

What is an Opportunity to Purchase Act?

Opportunity to Purchase Act (OPA) is a suite of policies and regulations granting Qualified Purchasers (QPs)—such as existing tenants, local governments, mission-driven affordable housing developers—the **Right of First Offer** and/or **Right of First Refusal**.

- **Right of First Offer (ROFO):** In the context of an OPA, a property owner must provide QPs an opportunity to make the first offer on a property before they offer it for sale or accept any offer to purchase.
- **Right of First Refusal (ROFR):** In the context of an OPA, before the property owner may sell to a third party, they must first provide QPs an opportunity to match any third-party offer.

Tenant Opportunity to Purchase Act (TOPA) policies typically designate *existing tenants* as the QPs. TOPA policies often work to support tenant empowerment and homeownership access.

Community Opportunity to Purchase Act (COPA) policies typically designate *mission-driven affordable housing developers* as QPs. COPA policies often aim to support affordability preservation and anti-displacement.

[6] Summarized based on HR&A literature review of the Urban Displacement Project from University of California, Berkeley, Anti-Displacement Action Plan, San Joaquin County: Community, Diversity, and Displacement Study, Gentrification, Displacement, and the Role of Public Investment. M. Zuk (2018)

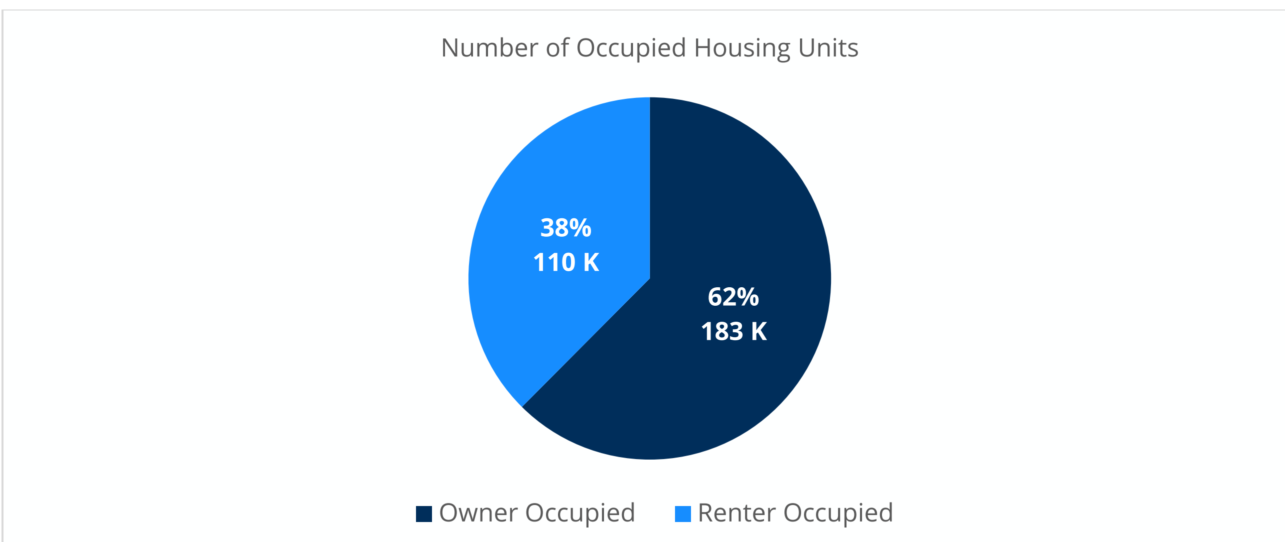
Housing Market Trends

L.A. County's need for a TOPA policy and program is driven by the rising affordability crisis and the long-standing inequitable access to homeownership. With demand for housing units continuing to outstrip supply, the growth of rental rates have far outpaced household incomes. This trend has contributed to increased rates of homelessness and housing cost burden among the County's renters. In particular, Black and Hispanic or Latino households have a disproportionately higher percentage of cost-burdened renter households and lower homeownership rates across all five Supervisorial Districts (SD) in Unincorporated L.A. County, as shown later in this section. Racial disparities in housing affordability and homeownership—a result in part of segregationist housing policies and enforcement of racial covenants—today put renter households of color at greater displacement risks, which further deepens disparities in overall quality of life as well as social, economic, and financial stability.

It is, first, important to understand the housing landscape and transaction volume of Unincorporated L.A. County since they determine the scale of impact for a potential TOPA policy and program. For instance, if the program-eligible properties include single-family homes, it will affect a wider range of property owners and a much higher scale of transaction volumes, while at the same time providing more opportunities for QPs, such as tenants, to take advantage of the program. Understanding the demographic and socioeconomic status of renter households by different property type also impacts how this program could expand equitable access to homeownership.

Renter-occupied units constitute a significant proportion of the housing stock. Out of 293,000 total housing units in Unincorporated L.A. County, 110,000 housing units (38%) are occupied by renters.

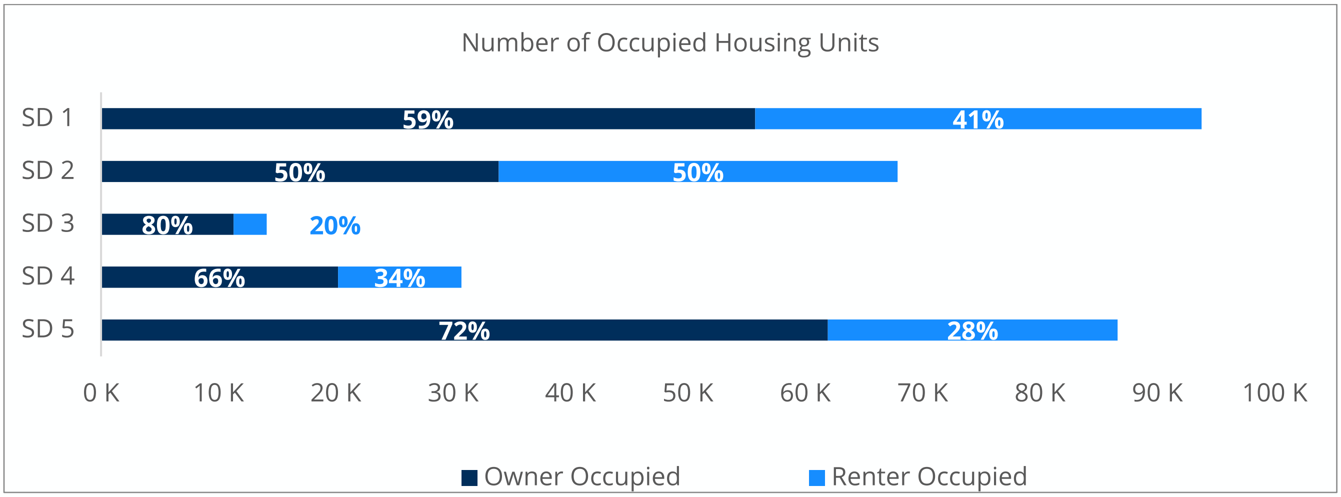
Figure 4. Housing Tenure (Unincorporated Los Angeles County, 2021)



Source: ACS 2021 5 Year Estimates

Housing tenure varies across Supervisorial Districts (SDs). SD 2 has the highest percentage of renter households at 50% (34,000 renter-occupied housing units) while SD 3 has the least renter households at 20% (2,800 renter-occupied housing units) as shown in Figure 5. Depending on its design, a potential TOPA program is likely to have a greater impact on housing stability and real estate transactions in SDs with more renter households.

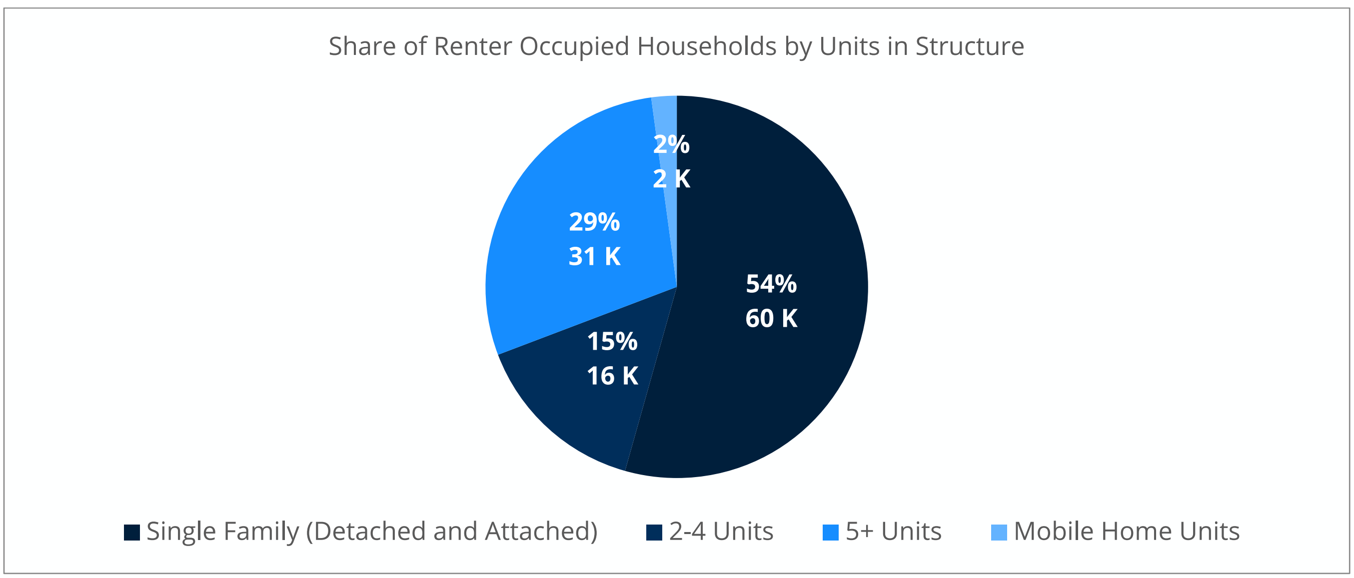
Figure 5. Housing Tenure by Supervisorial District (Unincorporated Los Angeles County, 2021)



Source: ACS 2021 5 Year Estimates

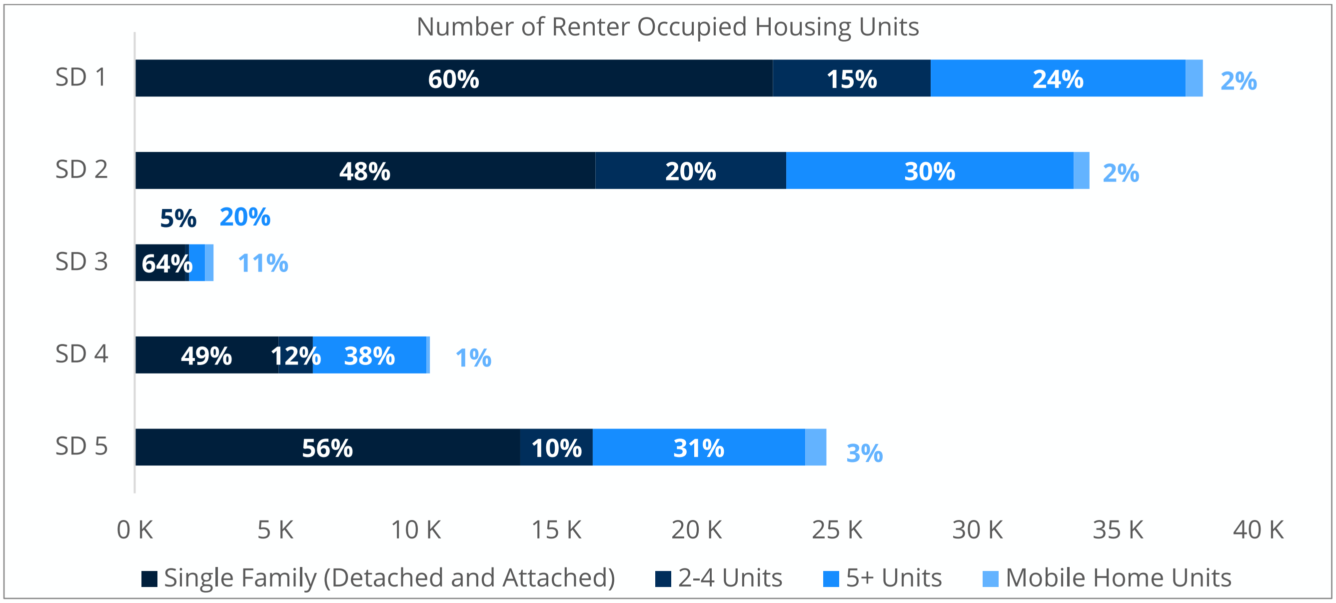
Single-family homes make up the majority of rental stock followed by properties of more than five units. Single-family homes (attached and detached) comprise most renter households (59,800 renter households) in Unincorporated L.A. County, followed by properties with more than five units, which comprise 31,500 renter households (Figure 6). This trend holds true across all SDs (Figure 7).

Figure 6. Renter Occupied Units by Units in Structure (Unincorporated Los Angeles County, 2021)



Source: ACS 2021 5 Year Estimates

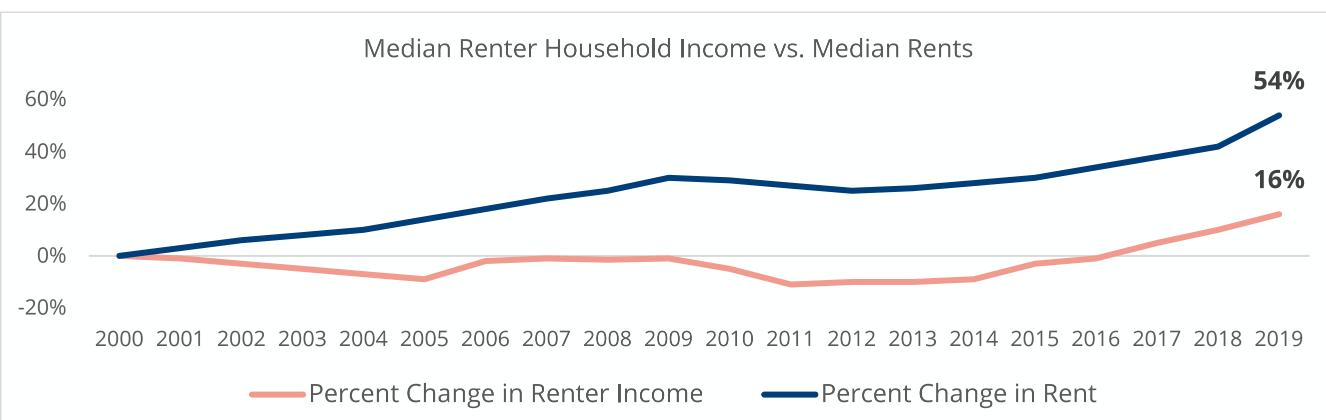
Figure 7. Renter Occupied Units by Units in Structure by Supervisorial District (Unincorporated Los Angeles County, 2021)



Source: ACS 2021 5 Year Estimates

Rental rates have consistently increased at a faster pace than the growth of household income, pushing renter households to bear a higher level of housing costs burden over time and eventually face potential displacement when they can no longer afford their housing units. Since 2000, median rents have increased by 54% in L.A. County, while renters' incomes have increased by just 16%. In 2022, to afford the average monthly rental of $2,300 without being overburdened, renters must have a household income of $92,000 per year. This is significantly greater than the County's median household income of $76,367.[7] Together, these trends suggest that rents in L.A. County are largely unaffordable for its residents and have become less affordable over the past two decades. A TOPA policy and program could help reduce some of these rent pressures by increasing the supply of permanently affordable units.

Figure 8. Change in Median Renter Household Income vs. Change in Median Rents (All of Los Angeles County, 2000-2019)

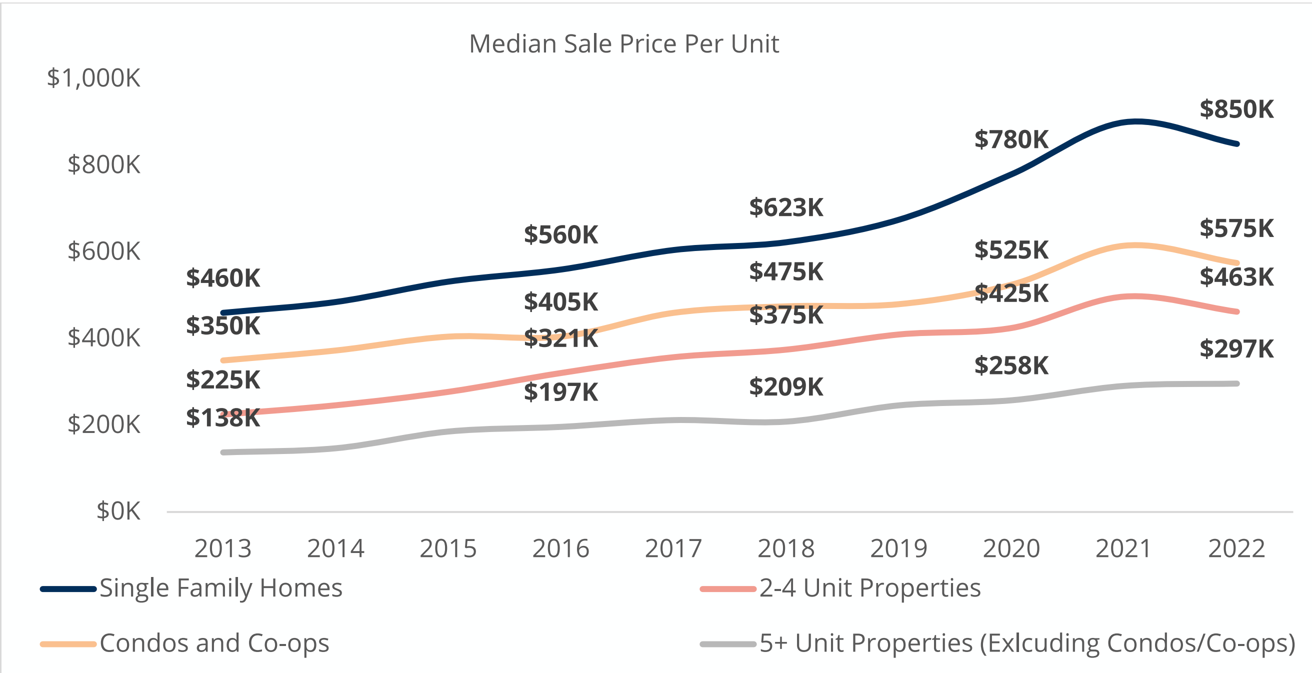


Source: California Housing Partnership, 2019

[7] 2021 ACS 5 Year Estimates

Property values across all property types have increased significantly over the past decade, which provides huge incentives for owners to sell their properties and potentially displace existing renters. Property values have increased significantly since 2014, nearly doubling for some typologies. This trend holds true for single-family, condos, and large residential buildings. These price increases have two impacts: for prospective homebuyers, all types of for-sale housing have become more difficult to attain, and for owners of multifamily buildings, there may be an increased incentive to sell to corporate investors who are often able to make higher offers with business plans that replace below-market rate tenants with new, market-rate tenants.

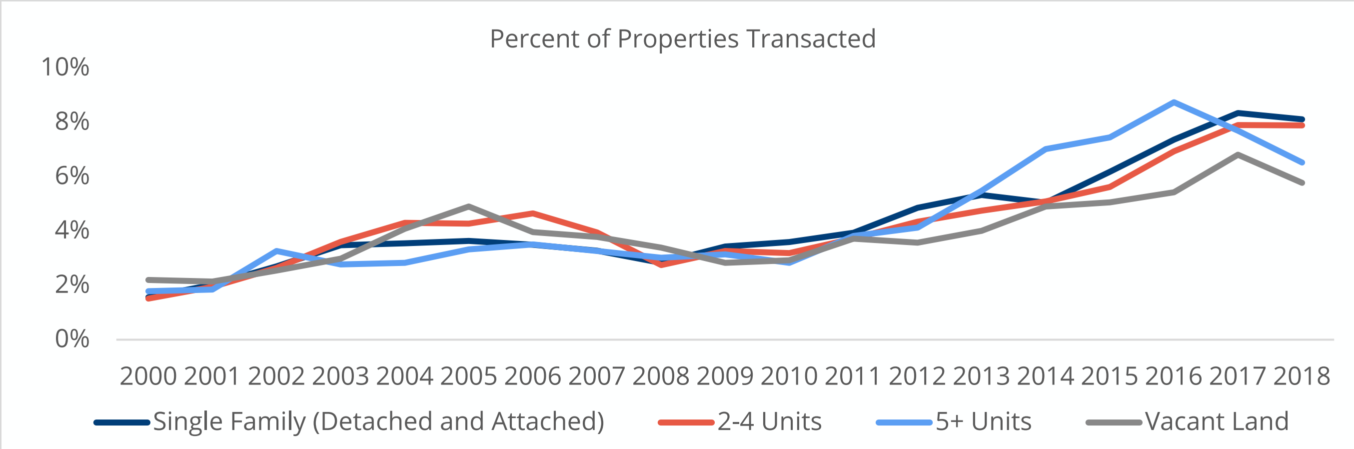
Figure 9. Median Per-Unit Sale Price by Building Type (All of Los Angeles County, 2014-2021)



Sources: Redfin, Costar

Rising property values have accelerated real estate transaction volume across smaller and larger properties. The volume of real estate transactions climbed significantly between 2000 to 2018 with a similar trend across properties of different size. In 2000, about one of every 50 properties with five or more units was sold, while at its peak in 2017, about one of every 11 properties with five or more units was sold. Across all property types, the average transaction volume is around 4% annually from 2000 to 2018 (Figure 10). Assuming a range of 2-8% properties transacted annually, this translates to an estimated annual sale of 3,000 and 12,000 residential properties in Unincorporated L.A. County (Figure 11).

Figure 10. Percent of Real Estate Properties Transacted (Unincorporated Los Angeles County, 2000-2018)



Source: Los Angeles County Parcel Data 2000-2018

Figure 11. Estimated Properties Sold Annually (Unincorporated Los Angeles County)

Property Types	Total Properties	Estimated % Properties Transacted Annually	
		Low (2%)	High (8%)
Single-Family Homes	110,224	2,204	8,818
2-4 Units	14,359	287	1,149
5+ Units	1,626	33	130
TOTAL	**126,209**	**2,524**	**10,097**

Source: Los Angeles County Parcel Data

Corporate ownership is likely to be more prevalent in larger properties. Corporate ownership of residential rental properties increased significantly after the 2008 national housing crisis. Corporate ownership can pose a threat to housing affordability as corporate owners have a responsibility to shareholders to maximize profit, which often translates to more aggressive rent increases and eviction practices. With more access to off-market listings, stronger financing positions to receive favorable pricing with all-cash offers and quicker closing timeframe, and other tax benefits, corporate owners often enjoy various competitive advantages in purchasing property compared to individual owners. According to a recent study by Strategic Actions for a Just Economy (SAJE), corporations and trusts own approximately 47% of all rental properties in the City of Los Angeles as of 2018. The percentage is much lower (around 20%) for properties with fewer than four, while much higher (64%) for properties with five to 49 units, and even higher (82%) for properties over 50 units.[8] *(Note: Ownership data for unincorporated areas of the County was not available, but the ownership patterns is likely similar.)*

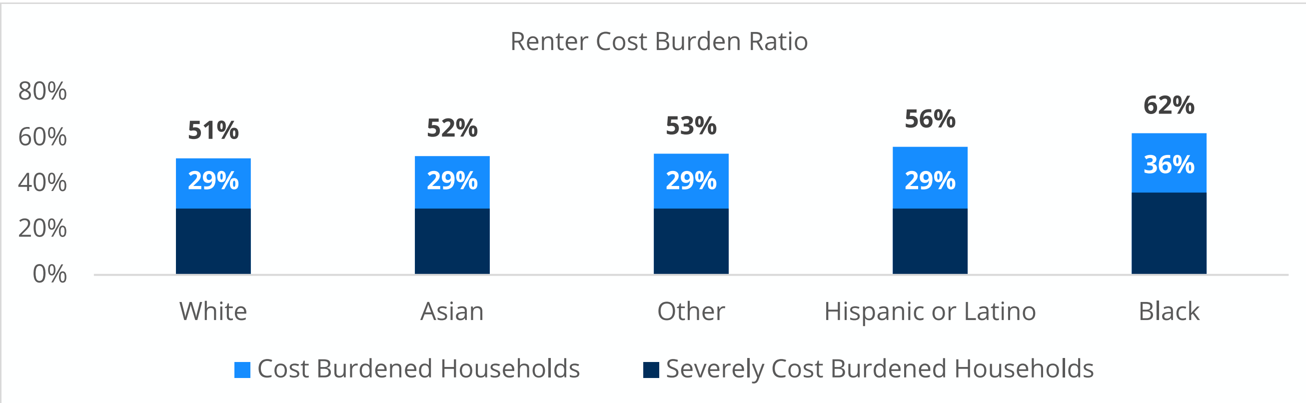
Black and Hispanic or Latino households have higher percentages of cost-burdened rental households in L.A. County. In 2019, more than half of renters of all races were rent burdened. Black and Hispanic/Latino renters were most cost burdened at 62% and 56% respectively.[9] Black renters have the highest proportion of severely

[8] A Just Recovery Series Beyond Wall Street. How Private Equity in the Rental Market Makes Housing Unaffordable, Unstable, and Unhealthy. *Strategic Actions for a Just Economy (SAJE).* Retrieved from: https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

[9] Cost burdened renters are those who spend more than 30% of their income on housing costs

overburdened renters, with 36% of renters spending more than 50% of their income on housing costs.[10] For TOPA program considerations, this trend is two sided. Though it may mean these overburdened renters are less likely to be able to leverage personal funds for a TOPA program deal, it also means that these renters would benefit from an increased supply of affordable housing that could come from an increased supply of affordable units created and preserved through a TOPA policy and program.

Figure 12. Renter Cost Burden by Race (All of Los Angeles County, 2019)



Source: California Housing Partnership, 2019; Note "Other" includes only those who identify as Two or More Races

Black and Hispanic or Latino households have lower homeownership rates across all SDs in Unincorporated L.A. County. Across all SDs, homeownership rates for residents who identify as Black, Hispanic or Latino, or "Other" are lower than homeownership rates of White and Asian residents. Across the United States, homeownership is an important wealth building tool—by building equity, homeowners can accumulate meaningful wealth. By creating a new, well-resourced pathway to homeownership, a TOPA program for Unincorporated L.A. County could help more residents of color purchase their homes, contributing to greater equity in homeownership and its wealth-building benefits across Unincorporated County.

Figure 13. Homeownership by Race and Ethnicity (Unincorporated Los Angeles County, 2021)

Homeownership %	SD1	SD2	SD3	SD4	SD5	Total
White	77%	74%	82%	76%	76%	77%
Asian	75%	72%	91%	80%	76%	76%
Black	59%	52%	48%	32%	64%	55%
Hispanic or Latino	50%	43%	59%	62%	63%	52%
Other	47%	43%	73%	61%	65%	52%

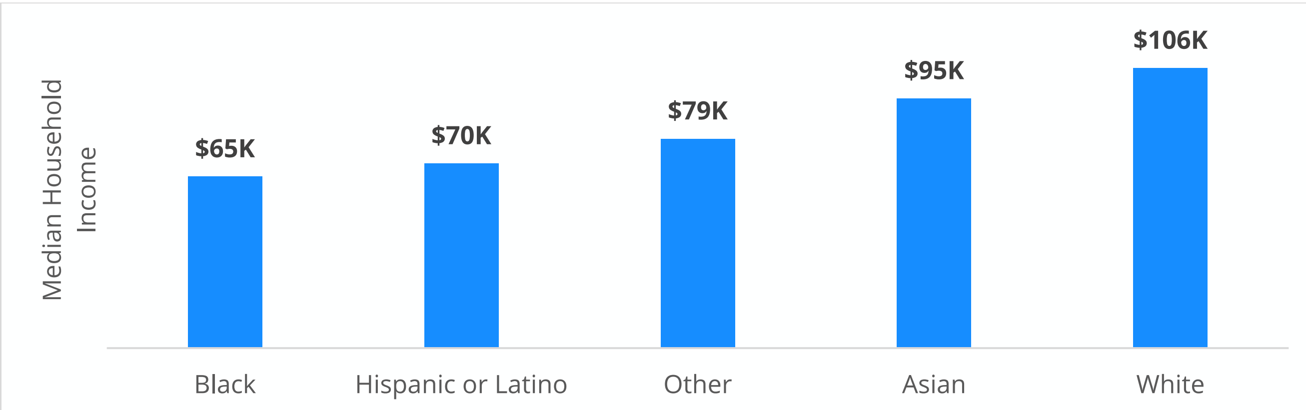
Source: ACS 2021 5 Year Estimates; Note "Other" includes those who identify as American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, Some Other Race, or Two or More Races

Black and Hispanic or Latino households have lower median household income, which disproportionately discourages homeownership access (Figure 14). Households of color consistently face income-based barriers to homeownership. Since early days of urbanization, the practice of redlining and discrimination in lending have made it more difficult for non-White households to qualify for home purchase loans and build intergenerational wealth.

[10] Severely cost burdened renters are those who spend more than 50% of their income on housing costs

Based on a recent report from the Greenlining Institute, although Black and Hispanic or Latino households constitute 5% and 39% of California's population respectively, their access to home purchase loans constitute only 3% and 22%.[11]

Figure 14. Median Household Income by Race (Unincorporated Los Angeles County, 2021)



Source: ACS 2021 5 Year Estimates; Note "Other" includes those who identify as American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, Some Other Race, or Two or More Races

Existing Policy Intervention and Tenant Protection

Limited land availability, high construction costs, and lengthy development processes have all contributed to the underproduction of new housing, particularly affordable housing in L.A. County. The Regional Housing Needs Assessment (RHNA) 2021-2029 goal for Unincorporated L.A. County identifies a shortage of 90,052 housing units with 25,600 units required to be affordable for "Extremely Low/Very Low-Income" households and 13,700 units affordable for "Lower Income" households.[12] In addition to the housing gap identified by the RHNA, existing affordable rental homes are also at risk of being converted to market rate, which further accelerates the affordability crisis in L.A. County.

At-risk affordable housing stock includes both expiring, deed-restricted, publicly subsidized, affordable housing and naturally occurring affordable housing (NOAH), which is commonly defined as properties affordable to households earning less than 80% Area Median Income (AMI). According to the California Housing Partnership Affordable Homes at Risk Report, 9% (10,698) affordable housing units are at risk of market conversion out of 119,806 total affordable homes in L.A. County.[13] Opportunity to Purchase Act (OPA) policies can mitigate displacement by enhancing tenant rights in the transactions process and ensure tenants remain-in-place.

Although there are existing laws and policies focusing on the preservation of at-risk deed-restricted units, there are few policies or programs that support the preservation of NOAH properties, which constitute 65% of all affordable homes in L.A. County.[14] When these properties are sold to profit-maximizing investors, rents are gradually brought up to market over time and existing lower-income tenants are displaced. TOPA policies are often designed with an explicit goal to mitigate displacement risks. If adopted, it will complement L.A. County's ongoing efforts in tenant

[11] Greenling Institute (February 2022). *Home Lending to Communities of Color in California*
[12] https://planning.lacounty.gov/assets/upl/project/housing_revised_housing-element-20220517.pdf
[13] California Housing Partnership (February 2022). *Affordable Homes At Risk.* Retrieved from: https://chpc.wpenginepowered.com/wp-content/uploads/2022/02/Affordable-Homes-At-Risk-Report-2022.pdf
[14] HR&A Advisors. NOAH properties are defined as properties with a minimum of 50% of units affordable to households with less than 80% AMI.

protection, anti-displacement, affordable housing preservation, and ownership support as detailed in the following table.

Figure 15. A Summary of Policies and Programs Related to Tenant Protection, Anti-Displacement, and Ownership Assistance

Policy / Programs	**Descriptions**
L.A. County Programs	
Rent Stabilization and Tenant Protections Ordinance	Places maximum annual rent increase limits to no more than 5% + local Consumer Price Index (CPI) or 8% (10% for luxury units), whichever is lower and provides tenants protections from evictions without just cause. Landlords must provide relocation assistance if it is a no-fault termination and ensure tenant's right of first return if the landlord returns the unit to the rental market within five (5) years.
Mobile Home Rent Stabilization and Mobile Home Owner Protections Ordinance	Places maximum annual space rent increase limits to no more than 75% of the percentage change in the average CPI over the previous 12 months or 3%, whichever is greater. Landlords must provide relocation assistance in the context of mobile home park closure, conversion, or change of use.
Stay Housed L.A. (Eviction Defense Program)	A partnership between the County of Los Angeles, the City of Los Angeles and local community-based organizations and legal aid providers to provide tenants with the required information and support (e.g.,, limited and full scope legal representation, short-term rental assistance, workshop sessions, and tenant navigation services) to exercise their rights and remain safely in their homes
COVID-19 Tenant Protections Resolution (Eviction Moratorium)	Provides protections to residential tenants and mobile home space renters affected by the COVID-19 pandemic, including rent increase freezes, anti-harassment, and retaliation protection. For tenant households with income at or below 80%. of the Area Median Income (AMI), protection is given against evictions for non-payment of rent due between July 1, 2022, and March 31, 2023 due to a COVID-19 financial hardship.
L.A. County Community Land Trust Pilot Program	Pilot program to acquire naturally-occurring affordable housing, preserve permanent affordability, and empower local community land trusts
Affordable Housing Preservation Ordinance	A set of strategies to preserve the supply of affordable housing, including the regulation of condominium conversions and mobile home park closures, and one-for-one replacement or "no net loss" policies
Foreclosure Prevention Program	Provides free services to distressed homeowners, including landlords with 15 or fewer units, with access to options counseling, support

	communicating with their lender/servicer on loss mitigation options, and connecting to financial, legal, or other resources
Mortgage Relief Partnership Program	Offers direct financial assistance in the form of grants of up to $30,000 paid directly to lender, servicers, or utility companies on behalf of rental property owners financially impacted by the COVID-19 pandemic (Pending)
Home Ownership Program	Down payment and closing cost assistance to low-income, first-time homebuyers with loans up to $75,000 or 20% of the purchase price with 0% interest and deferred payment
Mortgage Credit Certificate Program	Offers qualified, first-time homebuyers a federal income tax credit up to 20% of the annual mortgage interest paid on the mortgage loan
First Home Mortgage Program	Low-cost down payment and closing cost assistance loans to households up to 120% AMI with a maximum limit on loan amount and purchase price

State Legislations	
Homes for Homeowners, Not for Corporations (CA SB 1079) & AB 1837	Updates the foreclosure sale process to permit qualified parties (e.g., tenants or non-profits) to match third-party offers and prohibits trustees from bundling property dispositions
California Tenant Protection Act of 2019 (AB 1482)	Requires landlords to have a "just cause" for eviction and termination of tenants and limits annual rent increases to no more than 5% + local CPI or 10%, whichever is lower.
State Preservation Notice Law (AB 1521)	Requires expiring, publicly-subsidized, deed-restricted rental housing be offered for sale first to qualified preservation purchasers at market value
Proposed Bill to Provide Statewide ROFO and ROFR (AB 919)	If passed, would grant tenants of single and multi-family properties ROFO and ROFR.

TOPA Programs in Action

Local advocates—such as TOPA 4 LA - LA CLT Coalition, Legal Aid Foundation of Los Angeles, and tenant rights groups—have put forward a potential TOPA policy and related program with the goal of preventing displacement, preserving affordable housing, and improving social stability. A TOPA policy could provide additional renter protection, expand equitable homeownership access, and help alleviate the housing affordability crisis with the appropriate program design considerations and ecosystem support.

An Illustrative Example of a TOPA Program Transaction

A TOPA policy requires a set of processes during a building sale that property owners and their representatives must follow. Common milestones of these processes include a Notice of Sale, a Statement of Interest, a Right of First Offer, a Right of First Refusal, and a Closing Period. Each milestone often has a designated timeframe to ensure both the seller and the TOPA program QPs promptly notify each other of their intentions and provide necessary information with minimum disruption to market transaction process. *Note that the actual TOPA transaction timeline would vary depending on the program design elements that are adopted by the County, including the types of qualified purchasers, eligible property types, affordability restriction guidelines, and transaction process requirements, which will be further elaborated in the Program Design section. The following serves as an illustrative example.*

A mom-and-pop property owner decides to sell their triplex located in East Los Angeles, a neighborhood in Unincorporated L.A. County, to avoid a required $20,000 soft-story retrofit upgrade. The property was built in 1953, has three units, and is subject to L.A. County's Rent Stabilization and Tenant Protections Ordinance. Their asking price is $1.2 million.

The property currently has three tenants: Anthony (one-bedroom unit), Paul (one-bedroom unit), and Maria (two-bedroom unit). Anthony, who has an annual income of $40,000, has lived alone in his apartment since 1982 and pays $700 per month. Paul moved from the Inland Empire in 2015 to start a new job where he makes $65,000 per year and pays $1,400 per month. A new tenant would pay $1,800 at market rate for either of their one-bedroom units. Maria just moved in with her family, which has an annual household income of $120,000, and pays $2,800, which is the market rate for a two-bedroom apartment in the area.

Without a TOPA Program

The owner lists the property for sale. A corporate investor offers to purchase the property at $1.15 million and underwrites the property using market rents and cap rates.[15] The owner accepts the offer and delivers the property with existing tenants. Maria and her family remain as tenants paying their fair-market monthly rent of $2,800. Both Anthony and Paul took the buyout offer at $15,000 each to vacate the property. Anthony moved to another unit with a $1,400 monthly rent, with the buyout covering his $700 per month rent increase for approximately 21 months. Paul was already paying $1,400 per month and found a comparable apartment. The two naturally occurring affordable housing units are permanently lost to market.

With a TOPA Program

The property owner must send a Notice of Sale to all existing tenants and the County Program Administrator if the owner intends to place the property on the open market for sale or if the owner has received and accepted an offer of sale. When the tenants receive the notice, Maria calls a tenant advocacy group (that may be funded by the County to provide technical assistance) to learn about her rights and options under TOPA. The tenant advocate tells Maria that she can either purchase the property independently or collectively with other tenants, but that they all must submit a Statement of Interest within the designated period. Maria tells Paul about their options, who is interested in participating with Maria to buy the property. Anthony does not want to participate because his mortgage payment would be significantly higher than his current rent.

After formal submission of the Statement of Interest with the support of a CBO, Maria informs the advocate that she doesn't think she and Paul will be able to purchase the building with their incomes alone. In order to make an offer of $1.0 million, Maria and Paul's offer would require a down payment of $200,000 with a combined annual income of over $193,000 to qualify, which is more than they can afford given their current combined household incomes.[16]. Maria and Paul are not able to provide the required down payment. The advocate connects them to a CBO that serves their area. The CBO is able to secure public funding from the County and work out the capital

[15] A cap rate is the rate of return on a real estate investment based on the income that a property is expected to generate.

[16] Assuming 20% down payment, 6.5% 30-year fixed rate mortgage, and 45% debt-to-income ratio

stack—or the structure of financing—with an offer price at $1.0 million where Maria and Paul will share collective ownership, allowing Anthony to continue renting at his current rate. Meanwhile, the County funding sources would require the implementation of a 55-year affordable resale restriction, which would require them to sell the property to Qualified Purchaser(s) at a capped resale price within the restricted term. After working out the details of a potential offer and financing for the TOPA transaction, Maria and Paul decide to submit their formal offer within the designated time timeframe to exercise their Right of First Offer; however, the owner rejects the offer and decides to list it on the market.

After a few weeks, Maria and Paul receive a counteroffer from the owner matching the highest third-party offer at $1.15 million. Maria and Paul decided to accept the counteroffer and exercise their Right of First Refusal within the designated period. The CBO assists with the Earnest Money Deposit payment and guides Maria and Paul through the Closing Period to receive mortgage approval from their mortgage lender and finalize the necessary documents to obtain gap funding from the County.

With the support of the tenant advocates and CBO, the triplex is preserved as long-term affordable housing at a cost of $383,000 per unit which is significantly lower than the prevailing construction cost at $600,000 to $700,000 per unit. All three tenants remain in-place and are able to maintain their current rents at an affordable level, aiding in cost saving and other wealth generation opportunities to the new owners. In these types of scenarios, tenants take an active role in the transaction process and are able to select their preferred partner(s) to create long-term housing stability for themselves and minimize or eliminate external displacement pressure.

Potential Goals and Priorities

As illustrated in the example, OPA policies often mandate a process through which an exclusive offer period is granted to QPs to acquire eligible properties. In general, OPA policies are often adopted to achieve policy objectives such as tenant empowerment, anti-displacement, affordability preservation, and increased homeownership.

Depending on the local context, some policy goals and objectives might be prioritized over others through program design parameters, such as the types of QPs, eligible properties, or affordability deed restrictions. Program design considerations and tradeoffs along with implementation strategies will be further elaborated in the Program Design section. To illustrate, Washington D.C.'s long-standing TOPA program has a primary goal to empower and maximize tenant's rights in determining the future of the property, while the recently adopted COPA program in San Francisco has a primary goal to preserve affordable rental housing and prevent displacement. More details of precedent programs and best practices can be found in Appendix B: Case Studies.

In the context of L.A. County, the primary goals of a TOPA policy would be anti-displacement and affordability preservation with secondary goals in tenant empowerment and expanded access to homeownership, both of which will serve as an integral part of the ongoing efforts in tenant protection and affordability preservation. The following table describes how an OPA can be designed to achieve these goals. Note that there might be trade-offs among the priorities.

Figure 16. A Summary of Potential OPA Goals and Priorities

Goals & Priorities	How an OPA Policy Achieves Them
Anti-Displacement	Displacement risks are mitigated when QPs allow existing tenants to remain in place and follow rent stabilization or affordable housing subsidy guidelines after purchase. It insulates existing tenants from potentially being displaced or put through rent hikes as a result of speculative investment. *Example: Washington D.C. TOPA, San Francisco COPA, Prince George's County ROFR, Connecticut Manufactured Home Park ROFR*
Affordability Preservation	Affordable housing is preserved when the program requires deed restrictions either by capping rental rates or resale value to an affordable level affordable comparable with income. It often limits the percentage of annual rent increase and is a great tool to preserve naturally occurring affordable housing for permanently deed-restricted affordable housing. *Example: San Francisco COPA, DC TOPA with sales funded through the Housing Production Trust Fund*
Tenant Empowerment	Tenant rights are enhanced when they are notified and involved in potential sales. Rights are further strengthened if they can have an active role in directly purchasing or partnering with other QPs to acquire the properties. They could have access to new funding/financing resources and displacement/relocation compensation through the program as well. *Example: Washington D.C. TOPA, Connecticut Manufactured Home Park ROFR*
Increased Homeownership	When tenants are included as direct QPS, or a limited equity conversion process is encouraged through the program, it expands access to homeownership for low-and moderate-income renters who typically face higher barriers to homeownership and wealth generation. *Example: Washington D.C. TOPA, Montgomery County ROFR*

Supporting Ecosystem

For a TOPA policy and program to be successful in achieving its intended goals and priorities for Unincorporated L.A. County, it is critical to have a robust supporting ecosystem. This includes ensuring a sufficient level of internal County staff and external technical service provider partners who can support implementation, program education, and outreach; data tracking systems and tools that evaluate performance; supporting policies (such as right to organize); and a designated funding and financing source that enables potential QPs to take advantage of the program and preserve affordability. As demonstrated in precedent policies (Appendix B: Case Studies), most TOPA programs see more use after public funding becomes readily available. More details on the proposed ecosystem will be elaborated on in the **Implementation Strategies and Support** section.

Local Interest in a TOPA Policy and Program

A potential TOPA policy will have direct and indirect impacts on a range of stakeholders, including tenants and tenant advocates, property owners and representatives, as well as affordable housing developers and real estate investors and developers. It is critical to take into consideration and balance the interests from all stakeholder groups throughout the program design and implementation process so that the program can achieve the identified priorities and minimize unintended consequences.

HR&A and Local Initiatives Support Corporation Los Angeles reached out to approximately 158 stakeholder groups and hosted five focus groups in the fall of 2022, including two sessions with tenant advocates, two sessions with property owner and real estate industry representatives, and one session with affordable housing industry representatives.

Due to varying levels of understanding of TOPA, each session included a brief introduction of the different TOPA models, key program design features of each, and a group discussion on the potential policy priorities, pros and cons, as well as the challenges and opportunities of each.

Summary of Stakeholder Outreach Sessions

The key takeaways of all five stakeholder sessions are summarized below. Detailed notes and participant lists of each session are included in Appendix C.

Figure 17. Summary of Stakeholder Outreach Sessions

	Tenant Advocates and Organizers	Property Owner and Real Estate Industry	Affordable Housing Developers
General Perception	Supportive of TOPA program with appropriate protections for tenants	Not supportive of TOPA program; generally concerned about impact on small property owners and the market	Supportive of TOPA program with adequate resources and support for acquisition
Potential Impacts	TOPA program could greatly benefit tenants if there is accountability from property owners	TOPA program would harm small property owners, lengthen transactions, take rental units off the market, and privilege ownership to select entities	TOPA program would help prevent displacement; concerned about the impact of public subsidy requirements on project costs and whether all tenants are interested/eligible for ownership
Assignment of Rights	Mixed response; some concerned about "cash for keys" scenario; emphasis on affordability restrictions to avoid bad actors	Generally opposed; if it exists, it should be limited to tenants/tenant associations	In favor if there is a careful selection process for qualified buyers
Qualified Purchasers	Tenants/tenant organizations and pre-qualified, mission-oriented organizations, including those in partnership with tenant associations; all QPs to be vetted by the County.	Tenants/tenant organizations	Mission-oriented, non-profit, and for-profit entities, such as developers or community land trusts; all QPs to be vetted by the County.
Resources	Funding for acquisition/rehab Tenant capacity building	First-time homebuyer support	Funding for acquisition/rehab, permanent debt, and other subsidies to stabilize buildings with low rents

	Tenant education on TOPA program Policy enforcement Ongoing support for Limited Equity Housing Cooperative	Incentives for sellers: lower transfer taxes, property tax abatement, speedy financing/transactions	Tenant capacity building
Ecosystem Challenges	Lack of access to capital for shared ownership models Community land trusts are organized but not well resourced enough to support all tenants; need for tenant support across the county	TOPA program would not need to exist if the County provided support for homeownership/first-time buyers	Lack of access to capital for shared ownership models Lack of capacity building for tenants

Policy Design and Program Recommendations

Priorities for TOPA Policy Design

The 2021 motion adopted by the Los Angeles County Board of Supervisors directs the Department of Consumer and Business Affairs (DCBA) to develop recommendations for a potential TOPA policy for Unincorporated L.A. County ("the Policy")[17]. According to the motion, the Policy should be designed to:

1. Prevent Tenant Displacement and meaningfully improve the health, social and economic well-being of renter households;
2. Preserve Affordable Housing to expand the pool of affordable housing options to best serve vulnerable populations such as low-income renter households.

In addition to the above primary goals, a well-designed TOPA Policy can also enhance tenants' rights and protection, expand homeownership opportunities, facilitate wealth accumulation through homeownership, and promote community stability.

Overview of Preliminary Design and Program Recommendations: A Tiered Approach for Unincorporated L.A

Given lessons learned from precedent programs, the real estate market context, and the ecosystem of technical, financial, and policy resources in Unincorporated L.A. County, a tiered TOPA approach based on property size is best to mitigate displacement and bolster tenant rights, expand homeownership and wealth building opportunities for smaller properties and enable affordability preservation for larger properties, as summarized in Figure 18. This section provides a brief overview of the preliminary considerations and recommendations for a future Administrator ("the Administrator") on key parameters of the County TOPA Program ("Program"). Note, further stakeholder outreach and additional analysis will be required to move the TOPA Policy and Program forward.

[17] L.A. County Board Motion, Retrieved from: https://file.lacounty.gov/SDSInter/bos/supdocs/160848.pdf

Figure 18. An Overview of Preliminary TOPA Program Recommendation

	Qualified Purchasers	Affordability Mandate	Transaction Timeline[18]			Types of Rights	Assignment of Rights
			Statement of Interest	Due Diligence/ Offer Period	Closing		
Smaller Properties *(2-4 Units)*	Collective Tenancy, Individual Tenant	None	Up to 15 days	Up to 25 days + 7 days (w ROFR)	Up to 90-120 days	Right of First Offer (ROFO) + Right of First Refusal (ROFR)[19]	To Pre-Qualified Org. (PQO) Only
Larger Properties *[5+ units, mobile home parks (MHP)]*	Primary: Tenant Organizations (TOs) Secondary: Pre-Qualified Organizations (PQOs)	Income and Rent Limits	Up to 30 days (Up to 60 days for MHPs)				

Under this policy design, smaller properties (i.e., up to 4-unit properties), which have a lower total purchase price relative to properties with over 5-unit units, can offer great entry-level homeownership opportunities for tenants. Limiting Qualified Purchasers (QPs) for smaller properties to individual tenant and collective tenancy with assignment rights only to a select pool of Pre-Qualified Organizations (PQOs), such as affordable housing developers or community land trusts (CLTs), will help maximize tenant rights and mitigate displacement risks. The Program should not mandate affordability deed restrictions, i.e., requirements on rent and income limits and future annual rent increases, for tenants purchasing smaller properties unless required by its funding sources.

Larger properties (i.e., above 5-unit properties) present greater opportunities to preserve affordability and mitigate displacement. Having tenant organizations (TOs) as the primary QP enhances tenant rights and equips them with the opportunity to decide the future of the property. Meanwhile, larger properties often involve more complicated transaction and financing processes beyond the capacity of TOs; it is equally important to include a select pool of PQOs as secondary QPs since they have more experience and resources to close the transactions and preserve affordability for tenants. The program should also mandate affordability deed restrictions for larger properties. Detailed considerations and recommendations regarding the non-tenant organization pre-qualification and certification process, as well as affordability restrictions, will be elaborated in the following sections.

The program should not include single-family homes since the high administrative costs and per-unit acquisition costs along with potential disruption to the market outweigh the potential benefits. Single family homes comprise the vast majority of properties sold on an annual basis in unincorporated L.A. County, and this would require the

[18] All days are calendar days.
[19] ROFO grants qualified purchasers an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make a final offer.

Program Administrator to manage a much larger registry system for TOPA transactions and cause the highest level of disruption to the local real estate market. Sales of these properties would currently be too complex to enforce categorial reporting exemptions under many housing databases, including under the County's Rent Stabilization and Tenant Protections Ordinance. The exclusion of this property type can be revisited once the Program Administrator is able to ramp up a functional system with the support of a stronger ecosystem.

For all QPs, including tenants, TOs and PQOs, they should have both Right of First Offer (ROFO) and Right of First Refusal (ROFR) to eligible properties. ROFO grants an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make an equivalent offer or to revise an existing offer made through the ROFO process. provides an overview of the transaction process under the proposed Program, with further details to be discussed in the Parameter 4: Transaction Timeline subsection.

Figure 19. Recommended Transaction Process for Larger Properties

Notice of Sale	The property owner or their representatives must notify relevant parties, which could include all Qualified Purchasers (QPs) (i.e., TOs and PQOs for larger properties), the Program Administrator and existing tenants, of their intentions to sell with a Notice of Sale prior to listing the property in the open market (which would initiate the ROFO process) or after accepting a third-party offer (which would initiate the ROFR process). It could be filed through certified mail, email, and/or other platforms designated by the Administrator.
Statement of Interest	Upon receipt of the Notice, QPs should have a period with a maximum time limits (i.e., up to 30 days for larger multi-family properties and up to 60 days for MHPs) to submit a Statement of Interest (SOI) if they are interested in purchasing or would like to assign their right to purchase to a PQO. For larger properties, if both TOs and PQOs submit SOIs, the SOI from TOs or TO's assigned party will receive priority. TOs and PQOs can also partner and submit a joint SOI. *If no receipt of SOI within the designated timeframe, owner can proceed to a market listing and transaction.*
Right of First Offer	Upon receipt of QP's SOI, the property owner must provide additional time with a maximum time limit (i.e., up to 25 days) for the selected QPs to conduct due diligence and submit offers. Property owners should collaborate in good faith to provide relevant information including but not limited to floor plans, rent rolls, and operating expenses within a given timeline (i.e., 10 days). Any additional time it takes the owner to provide materials should be added to the QPs timeline. The owner is allowed to request an Earnest Money Deposit ("deposit") of up to 3% of the offer price, based on industry standards at the offer submittal stage. If the owner accepts QP's offer, it goes straight to closing. *If no offer is received from a QP within the designated timeframe or the owner rejects an offer from a QP, owner can proceed to a market listing and transaction.*
Right of First Refusal	If the owner rejects a QP's offer made through the ROFO process and accepts a third-party offer, the owner must notify the QP, the Administrator, and existing tenants with a matching Offer of Sale on material terms such as price, transaction time, contingencies, etc., and provide

	additional time with a maximum time limit (i.e., up to 7 additional days) for the QP to decide if they'd like to accept the counteroffer. If the owner did not list the property in the open market (and did not activate the ROFO process) but still received and accepted a third-party offer, QPs would be entitled to the same ROFO timeframe to conduct due diligence and submit an initial offer. If the third-party increases their offer, QPs are also entitled to a ROFR process to decide if they'd like to accept the increased counteroffer with the same maximum time limit (i.e., up to 7 additional days). *If the QP decides not to accept a counteroffer, the owner can proceed with accepted market offers.*
Closing	If the owner accepts the QP's offer or if the QP accepts the counteroffer, QP should be given a period with a maximum time limits (i.e., up to 90-120 days) to secure financing, remove contingencies and close on the property. *If the QP fails to close within the designated timeframe, the owner can proceed with any market offers.*

It should be noted that these preliminary program recommendations are largely contingent upon a gradual buildout of a robust ecosystem to support the implementation of a TOPA program. A supporting ecosystem can include various types of technical assistance to tenants, TOs and emerging PQOs, funding and financing support, staffing support for program operations, data tracking tools, and supporting policies. Ecosystem needs will be further addressed in the IMPLEMENTATION STRATEGIES AND SUPPORT section of the report.

Comprehensive Program Design: Key TOPA Parameters

The following section, as summarized and illustrated in , lays out a detailed analysis of key TOPA policy design parameters, including: 1) qualified purchasers and assignment rights; 2) eligible properties and exemptions; 3) affordability restrictions; and 4) transaction timeline. The design options will ultimately shape the potential ownership structure, affordability level, and the level of tenant rights and protection provided through the program. It is critical for the Administrator to balance the associated costs and benefits across these four parameters and take market realities and unintended consequences into consideration.

Figure 20. Key Program Design Parameters

Parameter 1: Qualified Purchasers and Assignment Rights

The parties conferred and eligible to receive purchase rights

Parameter 2: Eligible Properties and Exemptions

The housing types impacted by the policy and exemptions to those rules

Parameter 3: Affordability Restrictions

The restrictions placed on the level of affordability

Parameter 4: Transaction Timeline

The allotted time to complete each step in the transaction process

Parameter 1: Qualified Purchasers and Assignment Rights

Range of Options

Who can be certified as a Qualified Purchaser (QPs) and to whom those QPs can assign their purchase rights are key policy parameters that determine who receives the Right of First Offer (ROFO) and/or Right of First Refusal (ROFR) in a real estate transaction subject to TOPA. These parameters have direct implications on the program framework and objectives – whether the program prioritizes the need to assist tenants to become homeowners or to assist governments or nonprofits to preserve affordable rental units.

Depending on where a program's objectives fall on the above continuum, QPs can include various people and entities, including tenants and tenant organizations, local jurisdictions and housing authorities, nonprofit affordable housing developers, community land trusts, and for-profit developers. Qualification requirements can include a requirement for tenants and tenant organizations to obtain technical assistance and seek partnerships in order to exercise their rights, a pre-qualification process for non-tenant organizations, as well as a hierarchical approach where certain QPs have a first right to exercise over other QPs with subordinated rights.

Some programs also allow QPs to assign their rights to other entities, including local jurisdictions and housing authorities, nonprofit affordable housing developers, community land trusts, and for-profit developers. This can help under-resourced QPs leverage external support to reach their goals.

Program Design Spotlight: Qualified Purchasers

The types of qualified purchasers determine who receives ROFO and/ROFR and their relative levels of priority for exercising those rights.

Illustrative Examples:

D.C.'s TOPA gives tenants and tenant organizations the right to purchase eligible properties. Tenants can also assign purchase rights and form partnerships with developers to purchase. Granting tenants priority maximizes tenant rights but also requires more time to organize and greater technical and financial support.

San Francisco's COPA prequalifies a shortlist of experienced non-profit affordable housing developers to receive all eligible COPA sale notices, and mandates majority tenant approval for the transaction to move forward. This approach shortens transaction timelines, ensures the capacity of QPs to carry out transaction, and reduce the level of external supports required.

Program Design Spotlight: Assignment of Rights

The assignment of rights changes how QP exercise their rights. Assigning rights allows QPs to decide the future of the property without having to secure acquisition funding directly.

Illustrative Examples:

D.C.'s TOPA allows rights can be assigned through a Request for Proposal process, tenant selection, public recommendation, or settlement. To set goals and assign their rights to an assignee that shares their goals, tenants often need technical assistance from tenant advocates and development consultants.

San Francisco's COPA does not allow qualified purchasers to assign their rights, ensuring nonprofit developers with goals that align with COPA are the only entities who can exercise COPA rights.

Key Tradeoffs

There are distinct advantages and disadvantages for having tenants / Tenant Organizations (TOs) or a set of non-tenant Pre-Qualified Organizations (PQOs) as Qualified Purchasers (QPs), particularly in terms of tenant benefits and affordability preservation. The outcome is largely determined by the local ecosystem.

The benefits of having tenants and TOs as QPs are: 1) enhanced tenant rights through a mandatory tenant engagement process and empowering existing tenants with a role in the transaction process and determining the future of the property; and 2) direct homeownership and wealth generation opportunities subject to financial capacity. On the other hand, the potential drawbacks are: 1) higher level of market disruption as tenants often don't have equal resources and experiences as market buyers and it requires a lengthier process for tenants to self-organize as collective buyers particularly for larger properties; and 2) potential conflict with affordability preservation as it might not align with individual tenants' priorities. The above tradeoff is less prominent for smaller scale transactions and can be minimized through providing more technical assistances, legal services, and funding support to tenants and TOs.

The advantages of having non-tenant organizations such as affordable housing developers and CLTs as QPs are: 1) minimize market disruption as PQOs in general are more experienced in the real estate transaction process; 2) with more program transactions and at a larger transaction scale, it maximizes opportunities to preserve long-term affordable housing and mitigate displacement risks for low-income tenants; 3) with more access to different funding and financing sources, it often requires lower subsidy per unit with economies of scale and lower per unit acquisition cost for larger properties; and lastly, 4) improved quality of life for tenants through professional property management and investment in rehabilitation. Meanwhile, the potential disadvantages are limited direct ownership options for tenants except for limited equity cooperative ("LEC") conversion from affordable rental after acquisition. It is however possible to strike a balance by encouraging partnership between TOs and PQOs and facilitating ownership conversion after acquisition.

Having an expanded pool of QPs with unrestricted assignment rights provides more access, while a narrower list of Pre-Qualified Organizations (PQOs) can ensure that transactions meet the policy goal to preserve affordability and enhance tenant projection.

A pre-qualification process for non-tenant organizations limits the number of QPs and requires additional staffing resources for the Administrator, but it helps to eliminate bad actors, and streamline the actual transaction process. This process is done in many precedent examples such as San Francisco and Prince George's County without too much burden and can also be potentially integrated with LA County's existing competitive funding application process.

Meanwhile, the downside of not having a screening process can be disastrous as tenants can be taken advantage of due to a lack of information and there are limited remedies if properties are purchased by a bad actor. In D.C., developers sometimes use cash incentives to dissuade tenants from pursuing their rights to purchase and sell/assign the rights to them instead. Although assignment rights are intended to balance tenant needs and the expertise required to close real estate transactions, some developers in D.C. have successfully exploited it as a tactic to push tenants to accept buyout offers despite tenant organization's best efforts to stop them – offering buyouts (typically around $20,000 per unit but in some case as high as $80,000 or $100,000 per unit) to a limited number of tenants in exchange for their vote assignment rights but stop offering the buyout offer once they receive enough votes to receive the assignment rights. With the fear of potentially being displaced without any financial compensation, tenants are sometimes manipulated to assign their rights without being fully aware of their rights and options. It might benefit the individual tenants in the short term, meanwhile these units' affordability is permanently lost.

Core Recommendations

For smaller properties, the Program should limit QPs to individual tenants and collective tenancy and allow them to assign their rights to and/or partner with a list of pre-qualified organizations (PQOs) such as community land trusts, affordable housing developers, to maximize tenant rights and provide homeownership and wealth building opportunities.

For larger properties, the Program should include both TOs and PQOs as QPs. By giving TOs a priority right to PQOs, it enhances tenant rights and protection. By including PQOs, it provides the opportunity to preserve affordability and mitigate displacement when tenants don't have the resources to do so directly. It should be noted that only TOs representing the majority of tenants living at the property would qualify as a QP.

Figure 21. Core Recommendations

Eligible Properties	Qualified Purchasers (QP)	Types of Rights	Assignment Rights
Smaller Properties	Collective Tenancy, Individual Tenant	Right of First Offer (ROFO)+Right of First Refusal (ROFR)[20]	To Pre-Qualified Org. (PQO) Only
Larger Properties	Primary: Tenant Organizations (TO), Secondary: Pre-Qualified Org. (PQO)		

Additional Considerations

Collective ownership models face various legal and financial constraints in California. It is critical to build up a policy and financial ecosystem to minimize barriers. To illustrate, it is likely that tenants or TOs are not able to complete the condominium conversion process within the designated transaction timeline. For smaller properties, allowing an interim ownership option such as Tenancy-in-Common (TIC) while market-rate or below-market-rate condo conversion is completed is crucial. For larger properties, the program guideline and relevant public funding and financing guidelines funding should allow for future conversion to Limited Equity Cooperative (LEC).

A systematic and cyclical pre-qualification and re-certification process for non-tenant organizations is critical to filter bad actors, ensure mission alignment, and build in performance review**.** The pre-qualification process should be completed before program roll-out and mandatory requirements should focus on organization financial capacity, development capacity and track record of completed acquisition, development, and management of deed restricted affordable housing of similar or larger size. Other preferred characteristics can include non-profit 501 (c)(3) designation, experiences in tenant engagement and community engagement, partnership with local community-based organizations, a strong local track record, etc.

The qualification process should be cyclical to accommodate program growth and respond to changing policy priorities. Since organizations are likely to have their own geographic or product type focus, it is important to cultivate a diverse group of PQOs to serve the L.A. County unincorporated area. The process can also serve as a screening process for local jurisdictions and lending institutions to pre-qualify PQOs as trusted partners for acquisition and bridge loans and help to streamline the transaction process and closing timeline. The re-certification

[20] ROFO grants qualified purchasers an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make a final offer.

process should also take into consideration of organizations' actual track record of executing and managing the properties acquired through the Program to eliminate bad actors.

Figure 22. Summary of Ownership Models

Limited Equity Cooperative (LEC)	An ownership model in which residents form a democratically controlled cooperative corporation that owns the property where individual residents own a share of the corporation (instead of individual unit). LEC commits a cap on resale price and thus limit the amount of appreciation. Low-income residents can access homeownership with limited wealth building opportunities. This model requires a high-degree of involvement from the residents on an ongoing basis and often upfront gap funding.
Condominium	An ownership model in which units are separately owned by residents and common areas are jointly owned by all unit owners and often maintained by the condominium association. It can take the form of market-rate condominium and Below Market Rate (BMR) condominium where the difference lies in whether there is a cap on resale price. It can take a long time to form as it requires all residents to qualify for individual mortgages and a regulatory approval process of subdivision map through the California Department of Real Estate.
Community Land Trust (CLTs)	CLTs are non-profit community-based organizations that own land for community benefits including affordable housing which helps to bring down the cost of housing. It operates in a similar function as affordable rental property but can provide a sense of ownership when tenants are actively involved in the governance and management of the property. However, it provides limited direct equity building opportunities. Also it operates very similar to an LEC but offers a governing organization and potential economy of sale as smaller properties can be grouped under the land trust.
Tenancy in Common (TIC)	An ownership model where residents share ownership and maintenance of the property collectively and are responsible for a joint mortgage. It is quicker to set up since it does not involve registration of a new corporation or the subdivision process. Residents can build wealth through mortgage paydown and property appreciation. Meanwhile, there are various practical constraints such as limited financing products often at a higher interest rate, lack of ability for individual resident to exit without others' consent, which all hinder the equity building potential over the long run.

Parameter 2: Eligible Properties Exemptions

Range of Options

Property Eligibility is a parameter that dictates which types of properties are included in the Program and defines the universe of possible transactions. The coverage of eligible properties and exemptions can be determined by various features including the types of property (single-family, multifamily, mobile home parks, etc.), property size and conditions, types of ownership (primary residence vs. investment properties), and types of transactions (intrafamilial transfer vs. market sale).

Program Design Spotlight: Eligible Properties and Exemptions

Allowing more eligible housing types leads to more transactions but requires more oversight capacity and financing support.

Illustrative Examples:

Prince George's County's ROFR only includes properties with more than 20 units. By excluding smaller-sized properties from its ROFR program, the County can govern the program with greater scrutiny using less staff capacity for a lower transaction volume to review.

For D.C.'s TOPA, after the recent removal of single-family homes in 2018 with certain exemptions for senior renters, the policy covers properties with two or more units. With a broad range of eligible properties, this policy impacts the largest percentage of transaction sales, requiring more oversight capacity and funding support.

Key Tradeoffs

An expansive property eligibility empowers a wide range of QPs to play a role in the transaction process although likely at the expense of market disruption**.** Using single-family homes (SFHs) as an example - given the high per unit cost (i.e., $720,000 median sold price for single-family homes in L.A. [21]) and highly competitive housing market, SFH is a product type that are not attainable for low-income renters without significant subsidy. The actual transaction volume and level of affordability preservation is directly constrained by QPs' financial capacity and available technical and financial support. Meanwhile, the large transaction volume implies higher level of market disruption if not exempted, even if there are limited transactions that actually went through the program. For 38 years, D.C. included SFH as an eligible housing type, but recently removed it in 2018 with a few exceptions for senior and disabled renters. The main complaint was tenants in basement units leveraged the program to extort landlords with no intention to purchase the property. Property owners in L.A. County may face similar challenges when tenants of SFHs or accessory dwelling units (ADU) use TOPA rights and threaten to delay the process in exchange for voluntary buyout arrangements. The Administrator should evaluate the potential costs and benefits against policy priorities and available resources.

Smaller properties require less total subsidy but often at a higher per-unit subsidy cost compared to larger properties. With limited public funding support, there is a tradeoff between supporting more transactions at smaller scales or fewer transactions at larger scales. A higher volume of program transactions implies a great level of market

[21] California Association of Realtors Sales and Price Activity, Retrieved from: https://car.sharefile.com/share/view/s8819b5087854989b, https://car.sharefile.com/share/view/s6a363860f324a1bb.

disruption and potentially empowering QPs to a greater degree. Meanwhile, transactions at larger scales tend to require a lower per-unit subsidy cost given the lower acquisition cost per unit and provide a greater opportunity to leverage multiple funding and financing sources. Therefore, large properties are able to achieve more affordability preservation and displacement mitigation.

Core Recommendation

In general, the Program should include properties with two or more units as eligible properties, which accounts for 64% of renter occupied units in Unincorporated Los Angeles County. The Program Administrator should have the authority to make a final determination on property eligibility and exemptions as well as future adjustment based on program performance.

Smaller properties such as 2-4 units where there is the greatest opportunity for ownership and accompanying wealth generation should be eligible properties only to tenants.

For Pre-Qualified Organizations, eligible properties should be limited to larger properties including properties with 5 or more units and mobile home parks, where the risk of rising rents and displacement is the greatest. Affordable housing developers generally prefer to acquire and manage larger properties above 50 units to leverage economies of scale and improve their competitiveness to access Low Income Housing Tax Credit (LIHTC). Community land trusts (CLTs) and community development corporations (CDCs) are often expected to fill the vacuum for properties with 5 to 49 units with public funding support. For instance, the recent L.A. County Community Land Trust Pilot was able to close 8 acquisitions with a total of 43 residential units ranging from 2 units to 11 units since 2020 September.

Figure 23. Core Recommendation

Qualified Purchasers (QP)	Eligible Properties	Exemptions
Tenants/Tenant Organizations (TO)	Properties with two or more units	Including but not limited to owner-occupied properties up to 4 units, transactions among family members, properties subject to specified disposition process, transactions with no transfer of property control, etc.
Primary: Tenant Organizations (TO), *Secondary: Pre-Qualified Org. (PQO)*	Larger Properties (i.e., 5+ units, mobile home parks)	

Additional Considerations

To ensure a smooth implementation, it is recommended to build in the following exemptions to minimize unintended consequences such as tenant hold out, significant market disruption and potential infringement of property rights:

- Single-family homes: As mentioned above, the level of market disruption, administrative burden, and deep affordability gap required per unit is likely to outweigh the potential benefits of limited homeownership opportunities, at least under the current ecosystem. Once the ecosystem becomes more supportive, the Program Administrator could explore to include single-family homes with senior or disabled renters as eligible properties.

- Owner-occupied properties up to four units: The program should exempt primary residences where the owner of the property has occupied one of the units for at least 365 days prior.
- Newly built properties: Properties that are built within the recent 15 years should be exempted to encourage new ground-up development. Additionally, they are often at a higher price point and are not likely to house low-income renters.
- Transaction among family members or inheritances: Standard exemptions should include transfers between family members as gifts and estate transfers.
- Transactions where majority ownership is not transferred or remains with a related party: Exemptions should also be allowed for transfers between co-tenants, transfers of minority title interests, transfers to lenders under bona fide mortgages or deeds of trust, transfers for the sole purpose of extending affordability deed restrictions, etc.
- Transactions subject to specified disposition processes: In general, the Program should not create conflict with legal processes, such as eminent domain, court-approved settlements for foreclosure sales, bankruptcy, and for property owners to resort to Ellis Act, a state law that provide landlords unconditional right to take their properties off from the rental market permanently and terminate existing rental leases.

Mobile home parks (MHPs) are a key source of housing for lower-income renters with roughly 9,000 occupied mobile home park units in L.A. County unincorporated area[22]. MHPs typically separate land ownership from the ownership of mobile homes. MHP owners own the land and are responsible for maintaining the roads, utilities, and common areas. The home may be owned by MHP owner or individual tenants. While separating land ownership provides affordable alternative to homeownership, insufficient protections from rent hikes on space leases have threatened housing affordability and stability of MHP tenants. Given that the tenant profile tends to be lower-income and senior residents, it can be challenging for tenants/TOs to exercise TOPA rights directly. Therefore, in addition to having TO as the primary QPs, it is helpful to include PQOs as secondary QPs who have more access to various financing products and experiences with property management and property rehabilitation. It is also critical to ensure a robust ecosystem to support MHP transactions including technical assistance and financing support. In the case of Massachusetts' Manufactured Housing Community (MHC) Right of First Refusal program (ROFR), a Community Development Financial Institution ("CDFI") - Resident Owned Communities - provided long-term low-cost financing and advised on legal and organizational structure at no cost to resident cooperatives. This provides a good precedent for program parameters for mobile home parks.[23]

Parameter 3: Affordability Restrictions

Range of Options

Affordability deed restriction is a fundamental policy parameter and has direct impacts on other design features, including the types of qualified purchasers (QPs) who can effectively use the Program, the types of eligible properties, and overall transaction timelines.

Affordability deed restrictions are often mandated in programs that prioritize affordability preservation. These restrictions require QPs to comply with certain maximum rental rates, caps on annual rent increases, and resale restrictions. On the other end of the spectrum, programs that prioritize tenant rights and tenant choice often provide QPs full discretion and do not require affordability deed restrictions. This approach does not restrict future

[22] 2021 ACS 5 Year Estimates
[23] Refer to Appendix Case Studies for details.

rents or property resale value, requires less public subsidy, and allows QPs to benefit fully from property appreciation.

Key Tradeoffs

There is an inherent tradeoff between affordability preservation and wealth generation. With affordability deed restrictions, housing affordability is guaranteed but value appreciation is capped. It can also minimize unintended consequences and help to screen out transactions that do not serve affordability preservation, anti-displacement, and tenant protection. Without an affordability mandate, properties appreciate with the market, but the rental rents or future sales price may become less affordable.

Not requiring affordability restrictions provides more ownership and financing options at the expense of lost opportunities to preserve long-term affordability. As illustrated earlier, tenants who are able to purchase properties without public subsidy can form different types of ownership structures including condominium, Limited Equity Cooperative (LEC), and Tenancy in Common (TIC). The benefits of not having affordability mandates are demonstrated in the D.C. TOPA program, which empowers tenants with the greatest discretion over the future of the property and provide access to home ownership and wealth generating opportunities. Ownership structures such as limited equity cooperative (LEC) aim to strike a balance between the two and provide owners with ownership access and limited wealth generation while capping resale price at a relatively affordable level.

At the same level of public funding support, more subsidy per unit is required and the number of households served decreases, as affordability restrictions go deeper. As of November 2022, the median sold price was $594,000 for existing condos and townhomes and $720,000 for existing single-family homes in the Los Angeles Metropolitan Area. [24] Assuming the household can put down 20% down payment, purchasing a single-family home still requires an annual income of $173,700 to support the mortgage, which is equivalent to 185% of the Area Median Income (AMI) for a 4-person household.

As illustrated in , assuming the household is not putting down any down payment, the amount of subsidy required to support an 80% AMI household for a median-priced single-family home is $420,000 vs. $360,000 for household at 120% AMI.

Figure 24. Required Subsidy to Purchase Median Priced Single-Family Home

	80%AMI	120%AMI
Annual Income for a 4-person Household	$95,300	$109,300
*Supportable Mortgage Amount **	$300,000	$360,000
Median Single-Family Home Value	$720,000	$720,000
Required Subsidy with 0% Household Down Payment	**$420,000**	**$360,000**

**Assuming a 30% housing cost burden ratio, 30-year fixed mortgage rate at 6.5%.*

For larger properties with over five units, the average per unit price dropped significantly to $333,600 per unit[25], and therefore reducing the required subsidy to serve the same number of households and affordability level. Note, when properties are deed-restricted at a maximum rental rate, it caps the potential valuation resulting in gap funding that needs to be subsidized. There are various types and sources of public subsidies available for larger

[24] California Association of Realtors Sales and Price Activity, Retrieved from: https://car.sharefile.com/share/view/s8819b5087854989b, https://car.sharefile.com/share/view/s6a363860f324a1bb.

[25] Average price per unit for properties over five units in L.A. County over 2022 based on Costar

properties including public preservation fund, Low-Income Housing Tax Credit (LIHTC), and property tax abatement to reduce ongoing expenses.

Core Recommendation

The Program should tier its affordability requirements; the Program should not mandate affordability requirements for tenants purchasing smaller properties (i.e., 2-4 units), but mandate rent and income restrictions for larger properties (i.e., properties with 5+ units, mobile home parks) despite the types of QPs (i.e., tenants, TOs, and PQOs). This tiered approach offers two unique benefits: 1) it ensures affordability preservation for larger properties where the risk of rising rents and displacement is the greatest and 2) it maximize tenant choice where there is the greatest opportunity for ownership and accompanying wealth generation.

Figure 25. Core Recommendation

Eligible Properties	Affordability Mandate
Smaller Properties (2-4 Units)	None
Larger Properties (5+ units, mobile home parks)	Income and Rent Limits

Additional Considerations

The ability to preserve affordability is constrained by funding availability. Affordability deed restrictions cap the maximum rental rates and therefore limit the potential valuation of the property. On the contrary, value-add investors are often more aggressive in pricing with the goal to bring under-market rents up to market. For QPs' offers to be competitive, gap funding is required to bridge the difference. The deeper the affordability of the households preserved, the greater the need for public gap funding per unit, and fewer units can be preserved with the same level of public funding. The Program will only be effective in preserving housing affordability if there is a robust ecosystem to support QPs to access gap funding and financing through a quick underwriting and approval process.

For larger properties, affordability mandate restrictions should include the following core components, with additional priorities to be detailed in future funding guidelines:

- Rent Restrictions: With a policy goal to prevent displacement for low-income renters, target rents including utility payment should not exceed 30% of a tenant's gross income, which is defined as up to 80% of the Area Median Income (AMI) after being adjusted for household size. To illustrate, for a four-person household in 2022, rent limits including utility payment should be set at $2,383 per month based on an annual household income of $95,300 or 80% AMI. [26]
- Income Limits: To facilitate potential conversion to limited equity cooperative, the gross household income for future tenants should not exceed 120% AMI to be aligned with most subsidized first-time homebuyer programs, as adjusted for households. To illustrate, for a four-person household in 2022, the annual income limits should be set at $109,300. [27]

[26] HCD State Income Limits for 2022. Retrieved from: https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf.
[27] ibid

- Regulatory Term: The term of the affordability covenant should not be less than 55 years which is the typical term lengths requirements for publicly subsidized new development, or any additional requirements from relevant funding guidelines, whichever is longer.
- Portfolio Goal: Across the L.A. County unincorporated area, local market rents vary to a great degree. 80% AMI rents might be above the local submarket rents for certain areas, while lower than others. By setting a portfolio goal of average rent and income targets, it allows the Program to fund and prioritize projects with higher displacement risks. The Administrator should factor in the following parameters in the funding guidelines and design the scoring system accordingly for any applicable competitive funding awards along:
    - Differences between rent restrictions and local market-rate rents for all units
    - Amount of investment for property rehabilitation
    - Projects located in an identified area of displacement based on the LACDA Displacement Vulnerability Index[28]
    - Other priorities including considerations for tenant profile and specific preservation needs.
- Existing Tenants: The Program should not result in displacement and eviction of existing tenants based on income ineligibility. The affordability restrictions will be applied to existing vacancies and future vacancy upon turnover. Tenants who are currently over-income or exceed the income limits in the future should be allowed to stay in the properties for up to 3 years without additional rent adjustment. At the end of 3 years, their rents may be adjusted upward to 30% of the household's monthly income net of utility allowance within the maximum increase allowed under the Los Angeles County Rent Stabilization and Tenant Protections Ordinance (RSTPO).
- Rent Increases and Just Cause Eviction: Apart from rent adjustment for over-income tenants, rent increases should be capped based on the Los Angeles County Rent Stabilization and Tenant Protections Ordinance (RSTPO) (i.e., the annual percentage change in local Consumer Price Index, not to exceed 8%) or any additional requirements from relevant funding guidelines, whichever is lower, as well as any applicable protections of tenants from eviction without just cause.

Parameter 4: Transaction Timeline

Range of Options

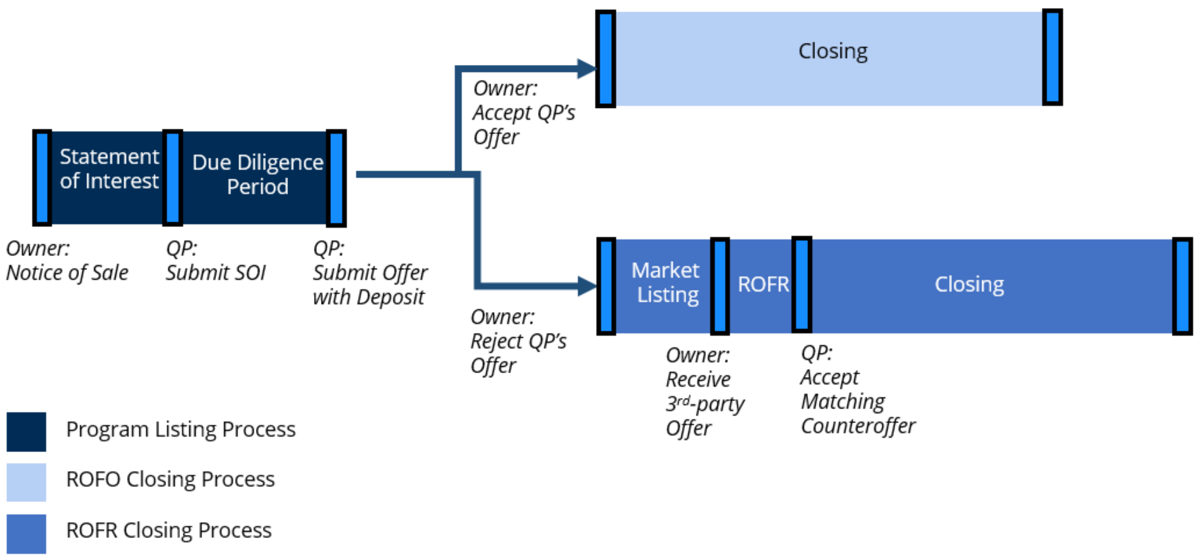
The primary goal of the Program is to provide Qualified Purchasers (QPs) a first opportunity to bid on eligible properties and exercise their Right of First Offer (ROFO) and another opportunity to match third-party market offers through Right of First Refusal (ROFR). The transaction process and time limits are critical to ensure the opportunities are real and QPs are able to close the transactions and meet the policy priorities.

In general, the Program intersects with market transactions most significantly in three ways: 1) a mandatory process for owners or their representatives of all eligible properties to provide QPs a period to exercise ROFO before listing on the open market or if the owner did not list the property for sale in the open market and accepted a third-party offer for purchase; 2) an additional mandatory period for QPs to exercise ROFR if the owner receives and rejects an offer from the QP; and lastly 3) a closing process only if the owner accepts the QP's offer or the QP is able to match

[28] LACDA Displacement Vulnerability Index. Retrieved from: https://lacounty.maps.arcgis.com/apps/instant/lookup/index.html?appid=f9e9273abee14d7e8d339bf4737e0c54.

the 3rd party market offer. The total number of days required through the Program varies depending on both program requirements and the local real estate market.

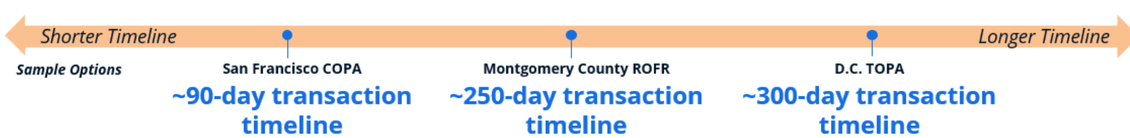
Figure 26. Illustrative Program Transaction Timeline[29]



The overall transaction timeline varies across precedent programs given different policy priorities, types of eligible purchasers, types of eligible properties, and local market transaction benchmark.

Program Design Spotlight: Transaction Timeline

Transaction timeline is driven by key program design elements including the types of QPs, eligible properties, and affordability deed restrictions.



Illustrative Examples:

D.C.'s TOPA gives qualified purchasers almost a full year to organize, negotiate, and close on TOPA transactions. In addition, if TOPA deals do not close within 365 days, the process must start over with a new Notice of Sale.

San Francisco's COPA gives qualified nonprofits 5 calendar days to submit statement of interest and 25 days to conduct due diligence and submit offers. The extensive acquisition expertise and experiences of QPs allow for faster transaction timelines.

[29] Note that the chart is for illustrative purposes only and not to scale. If the property owner receives a third party offer without listing the property for sale in the open market, the due diligence period would kick in when QPs are notified of the third-party offer.

Key Tradeoffs

There is a tension between minimizing market disruption and ensuring sufficient time for QPs to complete a transaction with proper due diligence. If the program time limits are much longer than market transactions, particularly the initial mandatory Statement of Interest period applicable to all eligible properties, it will cause a delay for a wide coverage of real estate transactions and discourage property owners to work with QPs, therefore limiting transaction volume and program impact. Meanwhile, if the time limits are too short, QPs will not be able to effectively use the Program to exercise their rights. For larger properties, with the affordability mandate, it often takes a longer closing period to secure public subsidies and finalize affordability covenants with all the relevant public and non-profit lenders. It is critical to strike a balance between the two. From precedent programs, it is critical to have a robust ecosystem to support QPs to complete transactions as closer as possible to market transaction timeline.

When resources (i.e., funding, technical assistance support, staffing, etc.) are targeted to a narrower set of QPs and Eligible Properties, transaction processes are more likely to be streamlined with a shorter timeline, but likely with a lower number of transactions. As illustrated in the above spectrum of total transaction timeline, Community Opportunity to Purchase Act (COPA) programs in general have a shorter overall timeframe than Tenant Opportunity to Purchase Act (TOPA) programs given that tenants and TOs often require additional time to complete tenant organizing and certification, reach consensus and secure funding, while COPA programs often come with designated acquisition funding programs with more experienced QPs such as affordable housing developers. The key constraint to potential transactions is the level of public funding. How the funding gets prioritized among different types of QPs and Eligible Properties will have an impact on transaction timeline, along with transaction volume and level of affordability preservation.

Procedural requirements will enhance program enforcement (although constrained at staff capacity); however, it might slow down transaction timelines and discourage property owners from working with QPs. Given the number of potential transactions, it is difficult for the Administrator to monitor each step of the process. In terms of procedural requirements, there could be checkpoints built in the closing process through title insurance and Change of Ownership registration to ensure property owners submit relevant documents such as Notice of Sale and other compliance documents acknowledged by existing tenants. Most precedent programs require property owners to submit Notice of Sale to the administrating agency and tenants at the beginning of the process, while relying on tenants and other stakeholders to file complaints for violation in subsequent steps of the process, such as lack of time to conduct due diligence, failed to accept ROFR with matching counteroffer. Repeat violations should be subject to fines. For the Program to be successful, it must balance the interests of different stakeholders including property owners and brokers/realtors and not discourage participation and good faith support.

Core Recommendation

The Program should set clear maximum time limits for the transaction process to provide certainty to property owners about when they will be able to list their properties on the market. The overall timeline should seek a delicate balance between ensuring QPs' ability to effectively use the Program to complete acquisition and minimizing market disruption. The funding and financing ecosystem plays a key role in determining the cap for closing periods. If financing products are not readily or widely available, the timeline should be more generous (i.e., up to 120 days) to reflect the current timeframe required for public and non-profit financial institutions to underwrite and close transactions. The Administrator should have the authority to make final determination on the exact time limits and make future adjustment based on program performance.

Figure 27. Core Recommendation

Eligible Properties	Qualified Purchasers (QP)	Transaction Timeline		
		Statement of Interest	Due Diligence/ Offer Period	Closing
Smaller Properties	Collective Tenancy, Individual Tenant	Up to 15 days	Up to 25 + 7 days (w ROFR)	Up to 90-120 days
Larger Properties	Primary: Tenant Organizations (TO), Secondary: Pre-Qualified Organizations (PQO)	Up to 30 days (Up to 60 days for MHPs)		

Notice of Sale Period: It is critical to require property owners to file the Notice of Sale to all Qualified Purchasers (QPs), the Program Administrators and existing tenants. The Program Administrator can then inform tenant advocates, or do outreach itself, to provide up-front education to residents, and provide contact information to tenants for technical service providers, including tenant advocates, who tenants can contact for support. Otherwise, based on lessons learned from precedent programs, affordable housing developers are often informed by tenants who are at risk of displacement indirectly and later in the transaction process. The notification mechanism should be easy to use and maintain confidentiality.

Statement of Interest Period: The Program should require an up to 15-day mandatory period for QPs to submit SOIs for smaller properties (i.e., 2-4 units), up to 30-day period for larger properties (i.e., 5+unit properties) and up to 60-day for mobile home parks (MHPs). The longer timeframe for larger properties provides more support to tenant organizations who would like to move forward and submit the SOI as registered TO. It also allows QPs in general to conduct more detailed due diligence for larger properties and mobile home parks and additional time to secure funding commitment. If the owner receives multiple SOIs from QPs, TO will receive 1st priority than PQOs if the material terms are on par.

Due Diligence/Offer Period (ROFO+ROFR): Once QPs submit their SOI, they should be given a maximum of 25 days to perform due diligence and submit offer. During the due diligence period, QPs will need to review property documents, estimate rehabilitation costs, and secure public funding/financing commitment to be able to submit a strong offer. If the owner rejects the QP's offer, proceeds with a market listing, and receive a 3rd-party market offer they'd like to accept, the owner should make a matching counteroffer to the QPs including material terms such as pricing, closing period, etc. QPs should be given an additional ROFR period up to 7 days to respond. If the QP accepts the matching counteroffer, the Owner is obligated to proceed with closing with the QP.

It should be noted that if a property owner receives and accepts a third party offer without listing the property for sale in the open market and filing Notice of Sale, QPs would still be entitled to the same ROFO timeframe (i.e., 15+25 days for smaller properties) to conduct due diligence and submit offers. If the third party increases their offer, QPs are also entitled to the ROFR timeframe (i.e., 7 days) to indicate if QPs would like to match the increased offer. Property owners will be obligated to proceed with the matching offer from the QPs if they receive one.

The timeline can be more challenging for TOs with limited real estate expertise and require a strong ecosystem to provide both technical assistance and financial support to issue funding commitment letters within the period. On the other hand, the Program should balance the interest of property owners as they would prefer to sell as soon as possible particularly in cases where sellers need cash quickly or want to do 1031 exchanges which requires a purchase of new property within 180 days from the sale of existing property. On average, smaller properties (i.e. 2-4 units) in L.A. sell after approximately 60 days on the market and larger properties (i.e. 5 units and above) sell after approximately 130 days on the market.[30] Based on the above preliminary recommendation, for smaller properties, property owners need to go through a total of 40 days (15+25), before they can proceed to market listing if they receive SOIs and offers from QPs, which still provide them opportunities to fulfill 1031 exchange and close transactions within a reasonable range. The overall SOI and Offer period are longer at 55 days (30+25) for larger properties and 85 days (60+25) for mobile home parks.

Closing Period: It should be noted that the closing period is only applicable, when owners accept the QP's offer or the QP's accept the owners counteroffer that matches the 3rd party market offer, which implies that it is the best offer from the open market as well. In this case, it is critical to factor in the required timeframe for the public sector and CDFIs, who are the most likely lenders, to complete underwriting and close transaction. Based on conversations with relevant stakeholders, it is recommended to have up to 120 days to close, in general, despite property size. There are a few exceptions supported by designated strike funds that were able to close with a shorter turnaround. Strike funds typically provide below-market financing for affordable housing acquire naturally occurring affordable housing in markets that are highly competitive with quick closing timeframe. It is often structured to cover pre-development, acquisition, and rehabilitation costs and might involve a pre-qualification process with the borrowers to shorten the closing timeline. For instance, the recent L.A. County CLT Pilot program was able to close 8 transactions within a range of 30-120 days except for one deal at 7 months with a single-source public funding administered by Los Angeles County Development Authority. It is a pool of funds from the County's Affordable Housing Acquisition Fund, unclaimed funds transferred by Treasury and Tax Collector, and additional grant funding.[31] A streamlined closing process from public and non-profit lenders including a detailed checklist and a commitment timeframe to close are also extremely important to strengthen QP's offer and likelihood to close on time. Without a strike fund, property owners will not select QP's offers with a substantially longer closing timeframe compared to market offers.

Additional Considerations

Time limits: The transaction time limits should be set as calendar days excluding holidays to ensure a fair timeline across the year despite the start of transaction date.

Deposit: It is reasonable for property owners to require an Earnest Money Deposit ("deposit") at the offer submittal stage including ROFO and ROFR to ensure QPs are serious about their offers. QPs should be allowed to submit offers with a refundable deposit up to 3% based on industry standard, for them to proceed to Due Diligence.

Incentives: Providing landlord incentives, such as reduced transfer tax, can help to encourage program participation from property owners, and need to be further explored in terms of feasibility and implementation process. Additional considerations on funding and financing incentives for the QPs will be further discussed in the following Implementation Strategies and Support section.

[30] Based on information from Redfin.com and Costar

[31] Preventing Tenant Displacement through Community Ownership Pathways. Retrieved from: https://libertyhill-assets.s3-us-west-2.amazonaws.com/media/documents/FY23_CLT_Report_Lesar_FINAL.pdf

Implementation Strategies and Support

To be successful, a TOPA policy and program for Unincorporated L.A. County requires a robust ecosystem to support tenants and TOs in taking full advantage of the Program.

The following chapter details the ecosystem, program systems, and implementation recommendations for a TOPA policy that aligns with the program previously presented in **Policy Design and Program Recommendations**.[32] A supportive ecosystem includes dedicated staffing, various types of technical assistance, funding and financing support, data tracking tools, and more. A supportive ecosystem should have administrative support to efficiently process TOPA program transactions, technical assistance to support the capacity for tenants and other QPs to exercise their TOPA rights, and funding to make QPs competitive with market-rate offers. Ecosystem needs will be discussed further in this section.

Need for Ecosystem and Ecosystem Overview

Ecosystem needs differ for tenant and TOs relative to non-tenant QPs. TOPA is a brand-new concept to most tenants and TOs and both are often largely unfamiliar with the property purchase process and unaware of the potential funding and financing resources. As such, tenants and TOs require extensive education, funding, and technical assistance to be able to execute their ROFO and ROFR within the designated timeframe to compete with market buyers. Education is ideally available, preemptively, to key stakeholders, including tenants, brokers, development consultants, and property owners. Dedicated staff is required for organizations providing education to ensure that tenants and TOs are informed in a timely manner and that transactions are properly tracked with key information. For large properties, it is more difficult to set up TOs and obtain majority consent, which requires additional technical assistance to support tenants and TOs in effectively exercising their TOPA rights.

Even for non-tenant QPs, the TOPA Program presents a learning curve in understanding the process. Some non-tenant QPs, such as Low-Income Housing Tax Credit affordable housing developers, will also require capacity building in executing real estate transactions due to unfamiliarity with traditional market financing timelines, while other non-traditional actors, such as CLTs, might be inexperienced in real estate altogether and require full transactional support at each stage of a real estate deal from due diligence and acquisition to property management. The proposed prequalification process—which would qualify non-tenant purchasers on the basis of their commitment to providing affordable housing; experience in and working with the County; their capacity to own, operate, and manage affordable housing; and ability to access financing—might alleviate some ecosystem needs in the short-term, but expanding the list of QPs to increase impact and accomplish equity goals, such as supporting BIPOC non-tenant QPs, will require a strong educational and capacity building ecosystem.

While ecosystem needs vary between tenants, TOs, and non-tenant QPs, these support measures fall into three general areas as outlined in Figure 28.

[32] Any changes to the program might require adjustments to recommendations in this section.

Figure 28. TOPA Program Ecosystem Categories

Category	Program Operations	Technical Assistance	Funding and Financing
Description	Organizational structure and capacity to efficiently implement, oversee, and monitor a TOPA program	Services, including education and communication, trainings, and legal advice, to build QP knowledge in successfully exercising their rights under a TOPA program	Financial resources to incentivize program participation and increase QP access to capital for predevelopment costs, repairs, bridge financing, and long-term mortgages
Example Roles and Responsibilities	• Program administration • QP notification • Monitoring and enforcement • Annual reporting	• Tenant education and outreach • Legal advice and transaction support • Capacity building trainings	• Funding/financing program administration • QP notification • Monitoring and enforcement
Example Organizations	• L.A. County • Third-party consultant partners	• L.A. County • Tenant advocates • Development consultants • Lawyers	• L.A. County • Lending institutions (e.g., CDFIs, commercial banks) • Philanthropy

Program Operations Needs and Costs

Thoughtful organization within the County is critical for successful implementation and operation of the TOPA policy and program. Beyond program design, decisions will need to be made regarding staffing, administration of funding, and information systems, which cut across multiple departments and internal stakeholders. This section describes the program operations staffing, which can be divided into two categories: general program administration and core program support functions—subsequent sections discuss funding and program data system needs.

General Program Administration

General program administration roles, highlighted in Figure 29, should be carried out by the L.A. Department of Consumer and Business Affairs (DCBA), which already acts as a major advocate for tenant rights through the administration of the County's Rent Stabilization and Tenant Protections Ordinance. The required staffing for these core management functions is typically benchmarked to the scale of rental units potentially falling under the purview of a TOPA program. Based on benchmarks from other programs, there is a need of one (1.0) full-time employee (FTE) per 25,000-30,000 rental units.[33] Considering the recommended program design, which excludes

[33] Based on conversations with D.C. and San Francisco program staff.

single-family homes, there are approximately 48,000 rental units in Unincorporated L.A. County suggesting the need for one-and-a-half (1.5) to two (2.0) FTEs to manage the County's program. The ongoing L.A. County CLT Pilot Program (detailed later in this report), had a total administration cost of approximately $500,000 in its first year. The TOPA policy and program is likely to need at least this amount for administration, if not more, given its increased complexity and expansiveness.[34]

Figure 29. Key General Program Administration Roles

Program Administration	Create and maintain processes for the TOPA program, including standard forms, web resources, developer prequalification, and data tracking
Qualified Purchaser Notification	Ensure proper notice to tenants and mission-driven developers as well as educational resources to navigate the TOPA process
Data Collection	Ensure the appropriate data collection systems are updated and maintained to track TOPA performance
Annual Reporting	Produce regular reports to track performance of the TOPA program and advancement of County goals

Core Program Support Functions

Core program support functions include developing and managing the prequalification screening for large properties (as defined in **Policy Design and Program Recommendations**), establishing program guidelines, deploying public funding support, and carrying-out enforcement and review, which includes fines for non-compliance with the Program. While DCBA would lead many of these efforts, the Department would likely require assistance from other departments such as the L.A. County Development Authority (LACDA), the L.A. Department of Regional Planning, and the L.A. CEO's Office, particularly with areas involving monitoring and enforcement as well as funding. Given LACDA's experience managing the County's Notice of Funding Availability and evaluating developer applications, the Program can leverage their expertise to develop and execute prequalification and funding guidelines and administer public funding due diligence and disbursement for TOPA Program transactions.

Figure 30. Core Program Support Roles

Tenant Education and Outreach Support	Provide tenants with access to resources for navigating the TOPA Program process, including connection to key technical assistance stakeholders
Funding Support	Authorize and execute County funding support for TOPA Program deals
Monitoring and Enforcement	Ensure compliance with the TOPA process and tenant rights

[34] DHCD, which administers D.C.'s TOPA program has a budget of $125,00 per FTE as of FY 2023. See: *FY 2023 Approved Budget and Financial Plan,* Government of District Columbia, 2023, https://app.box.com/s/p6a0a1zxwszwf18obbc1jrshzbciy5s4

	Enforce affordability covenants and compliance with County regulatory policies, if County funding is involved
Address Complaints and Respond to Violations	Create a system to receive and address complaints to TOPA Program violations Process requests from title companies inquiring about an owner's compliance

These core program support functions will require additional individuals beyond the one-and-a-half (1.5) to two (2.0) FTEs general administrative staff to administer the program. The scale of additional staffing needs is dependent on the number of transactions, type of QPs (i.e., tenant purchasers require more support), and existing staff capacity. For instance, D.C.'s Department of Housing and Community Development (DHCD) offers CDBG-funded grants to community-based organizations (CBOs) that provide education, outreach, organizing support, and technical assistance to tenants in multifamily properties with a TOPA notice. There are approximately 10 tenant organizers in the city that spend at least part of their time working on TOPA. Further, D.C.'s Office of the Tenant Advocate has 20.0-25.0 staff members that provide some tenant education and program enforcement related to TOPA. Unlike D.C., this proposed Program would require and the execution of a prequalification system for qualified organizations, as well as administration. As with the L.A. County CLT Pilot Program, much of the cost and staff expense for these services could be covered through loan fees and closing costs. Based on the extent of the Program design relative to D.C.'s, there will be need of approximately 15 additional staff members within the County, most likely within DCBA, at a cost of at least $2.0 million.[35]

Total Staffing Need

In total, the program may require between 16.0 and 17.0 staff members with a cost of up to $2.5 million annually. Staff can come from DCBA but will likely include staff needs in other departments, such as LACDA. Additionally, staffing may be required beyond these estimates if the County decides to offer technical assistance and funding support services or change the Program design to include single-family homes.

Core Recommendations

Create a TOPA Implementation Committee. This committee will be responsible for overseeing the successful implementation of the preferred program design and will ensure interdepartmental communication on topics of staffing, funding, and information management. Administered by DCBA, this committee will comprise representatives of all relevant County departments and will establish operating norms and evaluation procedures that will sustain the evolution of the Program as it matures and grows

Assign DCBA to serve as Program Administrator with support from other County departments. DCBA staff should serve as the Program's project managers and carry out many of the support functions. LACDA's experience in areas involving public funding could be helpful in designing and administering the proposed prequalification system for non-tenant QPs and overseeing the deployment of public funds in TOPA Program transactions.

[35] Los Angeles County's TOPA program is expected to apply to only about 25 percent of the number of rental units as D.C.'s program, which counts 215,000 rental units. Given the additional program design features, like the prequalification system, and recommendations for additional funding sources (see Funding and Financing section), the recommended additional staff was increased above this baseline comparison.

Size internal staffing for general program administration to match Program transaction targets. Based on the recommended program design, there is a need for approximately two (2.0) FTEs of fully dedicated staff to support the administrative aspect of program operations for a total cost of approximately $500,000.

Create synergies with other departments and existing staff to carry out core program support functions. Administrative leads will require support from other departments and staff to carry out other program operations. DCBA should clearly identify lead departments and staff for each responsibility and consider actions, such as incrementally implementing program enforcement, to reduce the immediate staffing burden. The TOPA Program will require an additional 15.0 staff members within DCBA and other departments, on top of program administrative staff, with a total cost of $2.0 million.

Technical Service Needs and Costs

Technical services for QPs are essential for a functioning TOPA Program. Necessary services and supports vary by the type of QPs (i.e., tenant, TO, or a non-tenant QP, such as a developer) and normally involve a mix of tenant advocates, development consultants, and attorneys. Government plays a supporting role in this space, often providing funding, tools, and connections to resources for these third-party actors to effectively deliver their technical services.

Tenant-Focused Services

As proposed, tenants can be involved in the TOPA Program in two ways. Tenants are able to directly purchase smaller properties (i.e., two to four units) or larger properties (i.e., five or more units) or can form a TO to execute their purchase rights either on their own or with a development partner.

Support is typically needed at each stage of the process for tenants. Early-stage education on the program and tenant organizing support are often necessary to meet the deadline to submit an offer. In D.C., 65% of tenant associations that received technical assistance or tenant education exercised their TOPA rights (i.e., tenant association assigned right or submitted a bid to purchase) while a much lower 21% of tenant associations that did not receive technical assistance or tenant education exercised their TOPA rights.[36] Thereafter, support to complete due diligence and negotiate a sale are necessary. Finally, tenants also need support upon closing to properly steward their property. Figure 31 describes each of the technical service categories for tenants and TOs, offers examples of current providers in the L.A. region, and identifies potential needs for the technical services ecosystem to succeed.

One key to success in D.C. in allowing tenants to exercise their rights has been the codification of the right of tenants to organize. Through the passage of **Tenant Right to Organize Act**, D.C. gave tenants the right to participate in association-related activities (e.g., posting and attendance at tenant meetings, distribution of literature on tenant issues) without fear of reprisal or interference from landlords or property managers. These protections are currently not afforded to L.A. County residents and could hinder tenant education and organizing efforts.

[36] Kathryn Howell, PhD, Scott Bruton, PhD, and Anna Clemens, MURP, "Creating and Sustaining Limited Equity Cooperatives in the District of Columbia", Coalition for Nonprofit Housing and Economic Development, February 2020, https://cnhed.org/wp-content/uploads/2020/02/Creating-and-Sustaining-Limited-Equity-Cooperatives-in-Washington-DC_REV.pdf

Figure 31. Tenants and Tenant Organization Oriented Services

Technical Service Categories	Description	Example Service Providers	Potential Needs for Success
Education and Communication	Ensure awareness of the policy, its requirements, and the supportive technical and financial services ecosystem	• CBOs/non-profits • CDFIs • Government • Tenant unions	Education provided to tenants before and after TOPA rights are triggered Educators maintain consistent materials
Tenant Organizing	Assist with organization of tenants to exercise their TOPA rights	• CBOs/non-profits • Tenant unions	Existing tenants are notified when a TOPA-qualified property comes up for sale Streamline the tenant organizing process and ensure the TOPA program transaction timeline allows for tenant organizing
Negotiation and Transaction Support	Support tenants during the process to successfully conduct due diligence of the property and facilitate coordination with financing partners	• CDCs • CDFIs • Development consultants • Tenant unions • Non-profit law firm • Non-profit legal clinics • Other trained attorneys	Pro bono or low-cost advisors for TOs and non-profits to negotiate a sale price, assist with applications for financing, and close sales Identified, easily accessible financing products and lenders
Legal Advice	Provide information on policy regulations and rights and support interpretation of real estate transaction documents	• Non-profit law firm • Non-profit legal clinics	Attorneys with knowledge of and experience with the TOPA process. Building a cohort of informed attorneys will require outreach, educational materials, and time.

Capacity Building – Property and Asset Management	Educate TOs on developing or outsourcing underwriting, rehab, property, and asset management skills	• CDCs • CDFIs • Development consultants • CBOs	Advocates able to educate tenants on planning Sample property and asset management business plans

Non-Tenant-Focused Services

Non-tenant QPs, who are eligible to purchase larger properties with affordability deed restrictions upon becoming a PQO, require a different set of technical services. Specifically, these supports focus on capacity building to execute real estate deals and the facilitation of partnerships to secure financing. For instance, many traditional affordable housing developers, who primarily deal with new construction and Low-Income Housing Tax Credit financing, do not have the expertise needed to assess and execute preservation and rehabilitation deals. Not only is the nature of the project different with additional due diligence considerations, but also these deals often have different funding sources and timing expectations. Notably, given the deed restriction requirements, many deals will require public gap financing, creating a need for these QPs to understand public funding underwriting processes. Figure 32 describes these two technical service categories for non-TOs.

Figure 32. Non-Tenant Organization Oriented Services

Types of Technical Services	Description	Example Service Providers	Potential Needs for Success
Capacity Building – Transactions and Asset Management	Increase developer ability to execute deals with staff training on preservation transactions and considerations	• CDCs • CDFIs • Development consultants • Government	Advocates able to educate developers on preservation and rehab deal evaluation Sample property and capital management plans
Partnership Support	Facilitate coordination with capital partners	• CDCs • CDFIs • Government • Non-profit law firm • Non-profit legal clinics	Organizations able to connect developers with appropriate financing partners

Technical Services for Other Actors

There are additional actors within the real estate community that will also require technical services at the launch of a TOPA Program. Real estate brokers, realtors, and sellers all need to understand their reporting requirements and responsibilities. As a means to ease the transition into a TOPA-governed real estate regime, San Jose, which is considering a COPA policy and program, is proposing to phase in its enforcement of program reporting requirements, which would start one year after program approval, in recognition of the time required to educate stakeholders.

Technical Service Needs

Technical service needs are largely a function of expected transaction volume. D.C., which has approximately 215,000 rental units, sees a sales volume of approximately 50 TOPA eligible properties per year. Given this benchmark and the proposed program design, Unincorporated L.A. County might see 11 transactions annually that qualify for the TOPA Program.[37] Some technical service providers, like lawyers and development consultants, can naturally scale or pivot resources to meet the new needs of a program, but often require funding support from grants if a TO is unable to secure upfront payment. There is also a base level of tenant-facing services and general capacity building needed to catalyze the TOPA Program ecosystem. This technical assistance is normally provided by CBOs, such as tenant advocates, and will require upfront funding to provide low-cost and attentive support in helping tenants organize and effectively exercise their TOPA rights at the beginning of the process.

County Support for Greater Ecosystem

Though technical services are primarily delivered through third parties, the County still has a vital role in supporting these technical assistance providers, primarily through monetary means. For instance, D.C. leverages its Community Development Block Grant Program to support nine CBOs with $8.0 million in funding, a portion of which is specifically allocated to its TOPA program, including $500,000 for tenant housing counseling.[38]

In addition to supporting providers of tenant-oriented services, the County may also consider supporting educational partners focused on non-tenant QPs to strengthen the quality and quantity of PQOs. A prequalified list with strict requirements can get the TOPA Program started but the number of participating organizations will be limited in scale unless the capacity of other organizations, such as less experienced developers and CLTs, is increased to understand the TOPA policy and how to successfully navigate preservation and rehabilitation deals. For instance, the L.A. County CLT Pilot Program launched in Fall 2020 has only been successful with community development corporations partnering with CLTs to build their real estate transaction and property management capabilities. For the TOPA Program specifically, resources such as Enterprise Community Partner's Preservation NEXT offer training information and tools that PQOs must have to acquire, rehabilitate, and preserve the long-term affordability in their communities. Importantly, services from these CBOs can uplift BIPOC-led organizations, increasing their real estate readiness and ability to navigate the TOPA process and helping the County achieve its equity targets.

Considering these needs and the expected number of annual TOPA Program transactions, the County should ensure at least $500,000 is allocated to CBOs specifically for TOPA Program education and advocacy.

[37] Total rental units, excluding single-family, in unincorporated L.A. County is 48,000, or 22 percent of D.C. rental housing stock. Source: ACS 2021 5-Year Estimates.

[38] Interview with Washington D.C. Department of Housing and Community Development on July 25, 2022. $500k of CBDG funding was earmarked for "Housing Counseling," which would include tenant advocates.

Los Angeles County Community Land Trust Pilot Program[39]

In the Fall of 2020, the L.A. County Board of Supervisors established a Community Land Trust (CLT) Pilot Program. Though several CLTs existed in the County, at the time of the County's program launch, very few CLT deals had occurred. This meant that the program required the creation of a specialized technical ecosystem that previously had not existed. Technical assistance was provided to build CLTs' capacity to execute real estate transactions, including carrying out due diligence and navigating financing, as well as to understand how to manage a property, including creating a property management and capital improvement plan and establishing a tenant selection process. CLTs partnered with community development corporations, such as East L.A. Community Corporation and Little Tokyo Service Center, who served as primary technical assistance providers. Additional technical assistance included a development consultant, who helped coordinate with capital partners and lawyers who provided legal assistance. In this way, the CLT Pilot Program has laid the foundation for a new technical assistance ecosystem to support unconventional real estate ownership models from which an L.A. County TOPA Program can leverage.

Finally, the County can also support the technical services through non-monetary means. Data transparency can help organizations effectively target their services. For instance, D.C.'s DHCD notifies grant-funded CBOs within a week of receiving notice of an offer or sale. However, other organizations, such as tenant advocacy non-profits, are not privy to this information delaying their ability to support tenants. The County can ensure that all pertinent technical service organizations are able to be notified when a Notice of Sale occurs. Additionally, the County can proactively identify properties eligible for the TOPA Program with residents most at risk for displacement.

Matching property characteristics with demographic information can allow CBOs to focus education and tenant organizing efforts for the County's most vulnerable residents. This could be done through integration with the County's Tracking Regional Affordability and Combatting Threats to Tenancy (TRACT) tool, which offers a web-based mapping platform to provide a spatial analysis of displacement vulnerability and the current and future potential for gentrification and redevelopment at multiple geographical levels.[40] As an additional benefit, with this list of properties, PQOs can better prepare for the TOPA Program by understanding the extent of its opportunity and, perhaps, determine geographical areas of focus to earn community trust and buy-in before properties are even put on market.

Core Recommendations

Dedicate funding to community-based organizations for education and tenant organizing. The County should allocate a portion of its Community Development Block Grant funding for housing counseling with annual allocations of at least $500,000 to fund tenant advocates and educational service providers. Additional monies may be necessary to account for the cost of living in the County (compared to D.C.) and to support services to non-TOs aimed at increasing their capacity to undertake TOPA Program transactions and manage properties.

[39] For more information on the CLT pilot, see: Lesar Development Consultants, Preventing Tenant Displacement through Community Ownership Pathways: The Los Angeles County Community Land Trust Partnership Program, October 2022, https://libertyhill-assets.s3-us-west-2.amazonaws.com/media/documents/FY23_CLT_Report_Lesar_FINAL.pdf

[40] Tracking Regional Affordability and Combatting Threats to Tenancy Tool. Link: https://tract.lacda.org

Create tools to proactively identify at-risk properties and allow efficient deployment of technical services. Property information should include building characteristics as well as area demographic information, such as racial characteristics and household income profile. This information could be integrated with the County's TRACT tool.

Phase in enforcement of transaction reporting for the TOPA Program to educate the real estate community. The first year of the Program can focus on educating brokers, realtors, and sellers on their responsibilities with enforcement occurring thereafter to ensure a smooth transition to a TOPA-governed real estate market.

Codify the right of tenants to organize. This ordinance would grant rights similar to those in D.C.'s Tenant Right to Organize Act, allowing tenants to freely receive education and organizing support to properly exercise their TOPA rights without fear of landlord reprisal or interference.

Program Funding and Financing

The Program will only be effective in preserving housing affordability if there is a robust set of financing tools to support QPs with access to gap funding and financing through a quick underwriting and approval process.

For TOs and PQOs, affordability deed restrictions cap the maximum rental rates and therefore limit the potential valuation of a property. Meanwhile, value-add investors can be more aggressive in pricing with the expectation of raising below-market rents up to market. For QPs' offers to be competitive, they must bridge the difference in pricing. As described in **Policy Design and Program Recommendations**, this pricing gap varies by the size of property. However, for larger properties (i.e., five or more units), setting rental rates of 80% AMI creates a funding gap of $33,000 per unit. Individual purchasers, who would not be subject to the same affordability restrictions, generally require down payment assistance to expand the buyer pool to lower-income purchasers, as low-income purchasers are not likely to have had the ability to save a sufficient down payment. Additionally, they typically lack access to funding for certain stages, notably predevelopment funds to complete due diligence. Failure to create sufficient funding support for QPs will limit Program uptake and restrict the buyer-pool to more affluent residents.

Washington D.C. Affordable Housing Funding

Washington D.C.'s TOPA program was the nation's first, launched in 1988. The program was highly underutilized until the creation of a dedicated funding source to support acquisition and rehabilitation of affordable housing in 2001 through the Housing Production Trust Fund (HPTF). Between 2001 and 2011, the HPTF financed approximately 625 units per year.[41] However, funding was volatile since the HPTF's primary funding source was real estate transfer taxes, which can decrease dramatically in economic downturns as seen during the Great Recession beginning in 2008. For instance, dedicated funding decreased from $68.0 million in 2007 to just $14.0 million in 2010. In response, the HPTF was revamped in 2013 with complementary funding from discretionary mayoral funds and other surplus one-time funds to ensure the HPTF has approximately $100.0 million for financing of projects in any given year. With this uptick in funding, between 2015 and 2022 the HPTF has been able to finance about 1,125 units per year.[42]

[41] D.C. Fiscal Policy Institute, "Housing Production Trust Fund", August 20, 2012, https://www.dcfpi.org/wp-content/uploads/2009/03/8-20-12-HPTF-brief.pdf
[42] "Housing Production Trust Fund Reports", Department of Housing and Community Development, accessed February 2022, https://dhcd.dc.gov/page/housing-production-trust-fund

Financial Ecosystem

The financial ecosystem consists of the government, banking, and community development financial institutions/non-profit actors and funds that are from private, non-profit, county, state, and federal sources. The involvement of these actors in a TOPA Program deal and the availability of different financing vehicles and supports will differ based on the type of purchaser and number of units within the project. Typically, larger properties (i.e., five or more units) require a commercial mortgage whereas a conventional mortgage with an individual purchaser could apply to smaller properties (i.e., two to four units)

For larger properties, there are four primary funding stages: 1) predevelopment and earnest money deposits, 2) acquisition and bridge loans, 3) construction and rehabilitation loans, and 4) permanent financing. Figure 33 describes each of these funding stages, including typical timing during a real estate transaction.

Figure 33. Funding Stages for Larger Properties (5+ units)

	Predevelopment and Earnest Money Deposits	Acquisition Bridge Loans	Construction/Rehabilitation Loans	Permanent Financing
Funding Description	Pays for due diligence expenses, deposits, attorney fees, and other early-stage predevelopment costs	Pays purchase price and closing costs that bridge the timing gap between project acquisition and receipt of permanent financing sources	Pays hard and soft costs of new construction or renovation projects	Provides long-term financing of the property
How It Supports TOPA	Fund Earnest Money Deposits	Shortens underwriting and approval timeline, which increases the likelihood a TOPA deal will close	Funds construction and repairs before obtaining long-term funding	Conversion to a long-term mortgage
	Support acquisition underwriting	Bridges predevelopment to ownership with interim funding for later-stage bank loans		Reduce interest liability

Period	Prior to acquisition	Prior to acquisition	Post purchase, prior to renovation	Prior to acquisitions or if buyer is unable to secure permanent financing directly, post purchase, paying off a bridge loan
Term	6-12 months	6-12 months	18-24 months	5-40 years
Uses	Deposit Appraisal Environmental studies Legal and consulting fees Architecture and engineering	Building acquisition Critical repairs Repayment of predevelopment financial support	Completion of property renovation Repayment of grants	Long-term leveraged debt

Individual purchasers generally have a simpler funding process focused on permanent financing through a conventional mortgage. Down payment assistance, which lowers the initial capital needed for purchase, and mortgage grants, which lower mortgage rates, are the two primary funding assistance that support the conventional mortgage process. Both of these funding assistance programs help expand the buyer pool and typically aid first-time homebuyers in the purchase of a residence.

Funding Sources

There are several notable federal, state, and local funding sources that a TOPA Program could leverage.

Local funding primarily consists of the L.A. County Housing Innovation Fund and the Affordable Housing Acquisition Fund**.** The Innovation Fund is a revolving loan fund of approximately $70.0 million to finance acquisition and predevelopment costs for affordable housing administered by LACDA in partnership with participating community lenders.[43] It provides gap financing for construction and permanent financing for the development and preservation of affordable housing and is typically paired with other sources of public financing, such as Low-Income Housing Tax Credit and tax-exempt bonds, as well as private sources.[44] The Acquisition Fund was recently

[43] "Financing for Acquisition and Predevelopment Costs: LA. County Housing Innovation Fund", LACDA, https://www.lacda.org/affordable-housing/la-county-housing-innovation-fund

[44] "State & City Funded Rental Housing: Los Angeles Affordable Housing Trust Fund", National Low Income Housing Coalition, https://reports.nlihc.org/rental-programs/catalog/los-angeles-affordable-housing-trust-fund#:~:text=The%20Los%20Angeles%20Affordable%20Housing,of%20public%20and%20private%20financing

created and as of FY 2022-23 with a $5.4 million carryover from prior year. [45] Later in this section, we provide recommendations on how to improve the Innovation Fund to better support TOPA Program QPs.

The main federal funding sources include Community Development Block Grants[46] and the HOME Investment Partnerships Program.[47] Community Development Block Grant is a federal program administered by local jurisdictions. It can be used to facilitate the provision of decent housing for low- and moderate-income households. For the TOPA Program, this can be in the form of funding to community lending organizations, such as community development financial institutions, as well as funding to CBOs for technical assistance support, such as in D.C. Similarly, HOME is a grant program for states and localities to fund housing initiatives, including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. The funds can be used flexibly, supplied to recipients as grants, direct loans, loan guarantees, and rental assistance, among others.

Other potential local funding sources could be created to support the TOPA Program. Parcel taxes, development fees, and sales tax measures are all potential financial vehicles available to the County. Additionally, many jurisdictions are considering adjustments to their property transfer tax to generate new affordable housing dollars, such as Measure ULA in the City of Los Angeles.

Measure ULA

Measure ULA, which passed on the November 2022 ballot and will become effective on April 1, 2023, is expected to generate approximately $600.0 million to $1.1 billion annually for affordable housing and tenant assistance programs within the City of Los Angeles.[48] Of this, 10% ($60.0 to $110.0 million) will be available for acquisition and rehabilitation of existing housing and another 10% for supporting homeownership opportunities. Revenue is generated from an increase in the real estate transfer tax paid by the seller. Previously, a rate of $5.60 per $1,000 of assessed value, or 0.56%, was imposed upon all property sales including $1.10 in a statewide tax and $4.50 to the City of Los Angeles. Under ULA, properties more than $5.0 million would be subject to an additional transfer tax. Properties valued between $5.0 million and $10.0 million would be subject to an additional 4% tax, and properties valued more than $10.0 million would be subject to an additional 5.5% tax.

In general, funding for non-tenant purchasers covers more financing stages and is more readily available. Individual purchasers primarily have access to down payment assistance programs and subsidized mortgages through federal assistance programs but normally lack funding for due diligence and construction/rehabilitation financing. Notably, community development financial institutions do not typically engage in consumer lending and credit unions (which

[45] Affordable Housing Budget: Fiscal Year 2022-23 Increasing the Effectiveness of the Affordable Housing Programs Budget Unit (Item No. 34.7-5, Agenda Of September 26, 2017) and Establishing a Rental Housing Habitability and Rent Escrow Account Program in Los Angeles County (Item No. 5, Agenda Of April 5, 2022), Los Angeles County CEO's Office, October 4, 2022. https://file.lacounty.gov/SDSInter/bos/supdocs/173202.pdf#search=%22%22Housing%20budget%22%22

[46] "Community Development Block Grant Program", California Department of Housing and Community Development, https://www.hcd.ca.gov/grants-and-funding/programs-active/community-development-block-grant

[47] "Home Investment Partnerships Program", U.S. Department of Housing and Urban Development, https://www.hud.gov/program_offices/comm_planning/home

[48] David Tabibian, "Measure ULA Approved: New Transfer Tax on All Real Property Sales Over $5 Million in the City of Los Angeles", Jeffer Mangels Butler & Mitchell LLP, December 9, 2022, https://articles.jmbm.com/2022/12/09/measure-ula-approved-new-transfer-tax-on-all-real-property-sales-over-5-million-in-the-city-of-los-angeles/#:~:text=Simply%20put%2C%20it%20is%20a,at%20the%20time%20of%20closing.

do not face this restriction), do not typically offer financial products for these other stages, and interviews suggest a reluctance to design new products to supports those financing stages.

Additionally, funding is more readily available for larger properties with more than 20 units. Properties with five (5) to 19 units are the hardest to preserve because there are insufficient financing programs to incentivize affordability maintenance. These buildings often make up the oldest portion of the housing stock and often need maintenance and capital repairs that exceed the value of the building.

Landlord Incentives

Incentives may be provided to landlords to preserve housing affordability, allow tenants to remain-in-place, and encourage participation in and achieve policy goals through the TOPA Program process. Incentives can be placed into two categories: tax incentives and sales incentives. Tax incentives may be provided via tax exemptions whereas sales incentives can consist of either monetary assistance or provisions that reduce sales risk.

Property transfer taxes, which are normally paid by the seller, may be reduced for multifamily properties that agree to preserving existing affordable housing. Broker fees, which typically amount to 6% of the sale price, could be eliminated with a QP foregoing broker services and acting as their own property representative.

San Francisco Real Property Transfer Tax Reduction

San Francisco's standard transfer tax rate is $6.50 per $1,000 of assessed value, but it has higher rates for properties selling over $5.0 million. For these higher value properties, the transfer tax ranges between $22.50 and $60.00 per $1,000 of assessed value depending on the actual value of the property. San Francisco's COPA program allows for a partial documentary transfer tax exemption, setting a maximum rate of $6.50 per $1,000 of assessed value if the property is sold to a qualified non-profit. This structure aims to incentivize the sale of larger, more expensive properties to qualified non-profit developers who will preserve affordable housing in the high-cost Bay Area. For example, a $5.0 million property would normally incur a $300,000 property transfer tax. If sold to a qualifying non-profit, this tax would instead be $32,500, representing almost a 90% tax reduction.

Core Recommendations

Enhance the existing preservation fund (L.A. County Housing Innovation Fund) to better support TOPA Program transactions. LACDA will play a key role in the Innovation Fund's funding guidelines, QP prequalification and recertification, funding awards, and scoring while leveraging external community development financial institutions for fund management support. Recommended changes to the fund for TOPA Program transactions include:

- Increase flexibility of loan-to-value to increase above 100%. Predevelopment loans should cover a variety of costs, such as attorney or development consultant, environmental study, appraisal, physical needs assessment, earnest money deposit. Additionally, acquisition-rehab often needs to cover costs in excess of the initial assessed value. This implies that loan-to-value should go above 100% to cover costs associated with a TOPA Program transaction. The County, through their own sources or fundraising through non-profits and philanthropy, will need to identify top loss funds to enable these expenses while maintaining a reasonable cost of funds.
- Verify funding availability ahead of the due diligence period. LACDA currently has a minimum timeline of 45 days due diligence before deploying public funds. Allowing QPs to secure an initial approval of takeout

sources can increase competitiveness of QP offers, where sellers typically look for 20-day due diligence periods and qualification for bridge loans from community development financial institutions for acquisition, which the QP awaits permanent financing.

Identify new funding sources for preservation efforts**.** Funding for gap financing is critical to making QPs competitive with market transactions. The following are some examples of potential new funding sources to expand the size of the County's existing Innovation Fund and other preservation funds.

- Philanthropic funding: engage private organizations in donating to a fund in direct support of the TOPA Program similar to Partnership for the Bay's Future's support of the San Jose COPA program, as described below.
- Real Estate Transfer Tax: increase the tax on sale of a class of properties to create a new, dedicated, ongoing funding source for TOPA Program initiatives.

DCBA should work with the CEO's Office and the L.A. Affordable Housing Solutions Agency to explore these sources, identify others, and develop the mechanisms (e.g., ballot measure) to capture them for use in the TOPA Program.

Partnership for the Bay's Future: Philanthropic Funding for San Jose's COPA Program

Partnership for the Bay's Future was launched in 2019 by the San Francisco Foundation to ensure available housing for everyone in the Bay Area. With 100% private funding, in 2020 it launched its policy grants program that awards communities more than $500,000 in two-year grants to advance affordable housing policies. These grants provide funding to place an affordable housing professional within a governmental agency full-time to work collaboratively with a community organization to adopt an affordable housing policy.[49]

As part of the Partnership's 2022 grant allocation, **the City of San Jose** was a grantee to advance the adoption of its COPA policy. The City's fellow interfaces with SOMOS Mayfair, a community engagement non-profit, to advance education and outreach for their COPA program. This grant unlocks more meaningful community engagement and strengthens cross-sectoral collaboration between non-profit and government. In this case, SOMOS Mayfair offers deeper community engagement set in culturally relevant environments with highly individualize formats, including one-on-one conversations.[50]

Consider creating a strike fund for TOs and PQOs to support property acquisition**.** Tenants do not have access to existing public financing sources apart from down payment assistance. This fund would offer tenants access to short-term capital to cover predevelopment costs, including an earnest money deposit, which an owner can request from a QP exercising their ROFO/ROFR and cost up to 3% of the offer price. Upon acquiring permanent financing, the strike fund loan would be repaid in full. PQOs can also benefit from this funding source as a form of bridge financing to close transactions within the Program-designated timeline of 90-120 days. LACDA can take two to three months to approve public funding, which might be too long if a PQO is to adhere to this timeline—unless they can pair this future funding with an interim financing vehicle.

[49] "Policy Grants", Partnership for the Bay's Future. https://baysfuture.org/advancing-equitable-policies-2/
[50] Heather Bromfield, "Bringing COPA to the Community", December 30, 2022. https://baysfuture.org/bringing-copa-to-the-community/

Program Systems and Data Tracking

Data collection and tracking systems are an integral part of the TOPA Program. The systems are necessary to ensure proper program notification and compliance, track performance, and identify design enhancements and program support gaps.

Program Notification and Compliance Systems

From a notification and compliance perspective, there is a need for a system to track Notice of Sales and automatically notify QPs and CBOs. San Jose's program is exploring the linking of Notice of Sale to the Multiple Listing Service (MLS) platform to reduce barriers of complying with notification requirements for owners and brokers. A way to track violations at each step of the program, from Notice of Sale to Closing, is needed to apply fines for non-compliance. Additionally, partnerships with existing compliance regimes, such as with LACDA, are necessary to enforce the requirements of the prequalification process for PQOs and impose affordability covenants on sold properties.

Performance Tracking

From a performance tracking standpoint, there are needs to collect data that create understanding of TOPA Program transactions characteristics, project characteristics, and profile of tenants, likely differentiating between deals where tenants are the QP versus a PQO. All these data points are important to understanding progress towards program goals, identifying barriers to achieving them, and devising targeted policy enhancements as well as services to improve program performance. Figure 34 lists key information that the County should seek to collect through the TOPA Program process by either 1) leveraging existing data already collected through or collecting new information through existing County processes or 2) creating new data collection intake systems (i.e., Notice of Sale system).

Figure 34. Data Collection Categories

Data Category	Data Source	Date Source Owner	TOPA Program Needs
Transaction Characteristics			
Name of Seller	Notice of Sale system	DCBA	Create new data collection system
Date of Notification of Sale	Notice of Sale system	DCBA	Create new data collection system
Date of Statement of Interest	Notice of Sale system	DCBA	Create new data collection system
Date of Closing	Change in Ownership Statement	Assessor	Leverage existing information
Purchaser	Change in Ownership Statement	Assessor	Leverage existing information

Assignment of Rights	Change in Ownership Statement	Assessor	Expand information collected
Total Purchase Price	Change in Ownership Statement	Assessor	Leverage existing information
Use of Public Financing	Change in Ownership Statement	Assessor	Leverage existing information
Property Characteristics			
APN	Rent Registry	DCBA	Leverage existing information
Address	Rent Registry	DCBA	Leverage existing information
Building Age	Rent Registry	DCBA	Leverage existing information
Number of Units	Rent Registry	DCBA	Leverage existing information
Bedroom Mix	Rent Registry	DCBA	Leverage existing information
Rent Roll	Rent Registry	DCBA	Leverage existing information
Property Structure (e.g., rent control, LEC, condo)	Rent Registry	DCBA	Leverage existing information
Affordable Housing Type (e.g., LIHTC, trust fund, rent control)	Rent Registry	DCBA	Leverage existing information
Tenant Profile[51]			
Household Size	Rent Registry	DCBA	Expand information collected
Income	Rent Registry	DCBA	Expand information collected
Household of Color	Rent Registry	DCBA	Expand information collected
Elderly Population	Rent Registry	DCBA	Leverage existing information

[51] Most tenant information will need to be voluntarily reported by the property owner. Income of households will be verified for larger properties for income certification to comply with Program affordability requirements.

TOPA Complaints			
Complaint Nature	DCBA Counseling Services	DCBA	Expand information collected
Property Address	DCBA Counseling Services	DCBA	Expand information collected
Project Seller	DCBA Counseling Services	DCBA	Expand information collected
Tenant or Tenant Representative Profile	DCBA Counseling Services	DCBA	Expand information collected

Ultimately, this information should be aggregated into a comprehensive dashboard to easily track the performance of the Program. To be useful, collected data should be used to demonstrate progress toward various County goals and program equity objectives and allow for successful advocacy for new funding for program expansion with quantifiable impacts. Figure 35 lists some key performance indicators the Program should track and for which the Program Implementation Committee, which will be further explained in the following section, should define performance targets.

Figure 35. Key Performance Metrics

Indicator	Parameter
Program Utilization	Percentage of transactions where TOPA Program process was initiated through a Statement of Interest
Program Acquisitions	Percentage of transactions resulting in a TOPA Program acquisition
Program Acquisition Cost	Percentage of projects below the cost per unit of Low-Income Housing Tax Credit deals
Program Process Length	Average length of TOPA Program transaction where a Statement of Interest was submitted
Tenant Purchasers	Percentage of TOPA Program transactions with TOs or tenant purchasers
Household Income	Percentage of households served with income 30-80% AMI for TOPA Program deals
Racial Composition	Number of tenants impacted by TOPA Program transactions by race
Displacement Risk	Number of tenants in high displacement risk areas for TOPA Program transactions
Complaints	Number of complaints received on TOPA Program process transactions (landlord, tenants)

Core Recommendations

Design and house a Notice of Sale registration system. This system would allow property owners to register when they intend to list their property—or have accepted a third-party offer—and send out automatic notifications to TOPA Program QPs for an opportunity to submit a Statement of Interest and technical assistance providers who can provide early outreach and education to residents. This system could potentially integrate with MLS to increase ease of use for sellers and brokers.

Consider existing data infrastructure when designing the TOPA Program's data collection system. Intake forms should strive to avoid duplicating efforts, streamline the real estate transaction process, and minimize market friction and administrative burden. The Program Administrator should discuss with the L.A. County Assessor's Office options to modify the Assessor's Change in Ownership Statement form to include TOPA Program information, namely the assignment of rights. Additionally, DCBA's rent registry should be updated to consider additional voluntary tenant characteristics, including presence of households of color, household size, and more specificity on existing items, such as the income/AMI range of households and future operation plan for the building following purchase. Finally, DCBA and modify its existing counseling services to deal with TOPA-related complaints and questions.

Establish key performance metrics to ensure compliance, evaluate program effectiveness, and further equity goals. Goals should be both related to enforcement as well as performance for the program, and progress should be easily tracked through the creation of program dashboard.

Implementation Roadmap

HR&A identified six implementation stages for TOPA Program for Unincorporated L.A. County. This process, from socialization to launch, should last no longer than 18 months, with approximately six (6) months dedicated to outreach and public approvals followed by 12 months dedicated to program implementation.

1) Socialize the proposed program. DCBA should carry out a series of outreach and public engagement meetings to ensure all stakeholders understand the TOPA Program and have a chance to weigh in on the program's design characteristics. This work should include engagement of the general public, as well as focus groups with tenant groups, landlords, developers, financiers, brokers, and other real estate professionals.

2) Select the program design. DCBA should present its recommendations internally to relevant committees and the Board of Supervisors, who will be responsible for approving and funding the ultimate program design. This includes program guidelines covering eligible purchasers and properties, which this report should guide.

3) Establish a Program Implementation Committee. An Implementation Committee will be responsible for guiding the implementation of the preferred program design and ensuring successful allocation of staffing and departmental resources for effective program delivery. Administered by DCBA, this committee would consist of DCBA staff, other departmental staff, such as representatives from LACDA, Office of the Assessor, CEO, Board of Supervisors, Regional Planning, and Internal Services who report directly to the DCBA project manager. The Committee will partner with Human Resources to facilitate hiring leadership of the new division within DCBA to oversee general program administration.

4) Develop an operating model. The Committee will develop an operating model and partner with Human Resources to create new staff classifications and hire new employees. It will also partner with IT to ensure the proper administration and monitoring systems are in place. Finally, the Committee will also need to plan internal and external communications with County staff, tenants, and other TOPA Program stakeholders to ensure a smooth launch.

5) Develop a program reporting framework and strategic plan. The Committee will establish reporting norms, program objectives, and measurement metrics to ensure successful monitoring of the program, tracking of successes, and a process for evolving the program over time to be most effective at meeting County goals.
6) Launch the TOPA Program. Prior to the launch, DCBA, working closely with LACDA, should issue an RFQ to develop a pool of PQOs to immediately act on potential TOPA Program sales. The County should develop a noticing plan to ensure sufficient notice to all stakeholders of the launch of this consequential program.

After the Program launches, the County should monitor the program and consider refinements after a period of approximately five (5) years (the specific period may be defined by the Committee).

Summary of Key Recommendations

An **Opportunity to Purchase Act** is a suite of policies and regulations granting Qualified Purchasers (QPs)—such as existing tenants, local governments, or mission-driven affordable housing developers—the Right of First Offer and/or Right of First Refusal when eligible properties are listed for sale. Policies and programs through a Tenant Opportunity to Purchase Act (TOPA) have a specific focus to include existing tenants as the qualified purchaser and are often adopted to achieve policy objectives including tenant empowerment, anti-displacement, affordability preservation, and expanding homeownership access.

Given the housing and policy context of Unincorporated L.A. County, a potential TOPA policy and program should prioritize the following as primary goals:

1. Prevent Tenant Displacement and meaningfully improve the health, social and economic well-being of renter households;
2. Preserve Affordable Housing to expand the pool of affordable housing options to best serve vulnerable populations such as low-income renter households.

Policy Design and Program Recommendations

With the above policy objectives in mind, the team recommends a tiered TOPA program approach based on property size to best mitigate displacement and bolster tenant rights, expand homeownership and wealth building opportunities for smaller properties, and enable affordability preservation for larger properties as summarized in Figure 36.

Figure 36. An Overview of Preliminary TOPA Program Recommendation

<table>
<tr><th rowspan="2"></th><th rowspan="2">Qualified Purchasers</th><th rowspan="2">Affordability Mandate</th><th colspan="3">Transaction Timeline[52]</th><th rowspan="2">Types of Rights</th><th rowspan="2">Assignment of Rights</th></tr>
<tr><th>Statement of Interest</th><th>Due Diligence/ Offer Period</th><th>Closing</th></tr>
<tr><td>Smaller Properties (2-4 Units)</td><td>Collective Tenancy, Individual Tenant</td><td>None</td><td>Up to 15 days</td><td rowspan="2">Up to 25 days + 7 days (w ROFR)</td><td rowspan="2">Up to 90-120 days</td><td rowspan="2">Right of First Offer (ROFO) + Right of First Refusal (ROFR) [53]</td><td rowspan="2">To Pre-Qualified Org. (PQO) Only</td></tr>
<tr><td>Larger Properties [5+ units, mobile home parks (MHP)]</td><td>Primary: Tenant Organizations (TOs) Secondary: Pre-Qualified Organizations (PQOs)</td><td>Income and Rent Limits</td><td>Up to 30 days (Up to 60 days for MHPs)</td></tr>
</table>

[52] All days are calendar days.
[53] ROFO grants qualified purchasers an exclusive window to make the first offer on an eligible sale before being put on the open market. ROFR grants the right to match the key terms and conditions of third-party offers to make a final offer.

In general, the Program should provide clear guidance and balance the interests of various stakeholders, such as property owners, eligible purchasers, market buyers, and real estate professionals (including brokers and consultants). Specifically, the Program Administrator should evaluate options of the following key program parameters before making a final determination and build in a mechanism for adjustments based on program performance.

1. Qualified Purchasers (QPs) and Assignment Rights
   a. For smaller properties (i.e., two to four units), the Program should limit QPs to individual tenants and collective tenancy and allow them to assign their rights to and/or partner with a list of Pre-Qualified Organizations (PQOs), such as community land trusts and affordable housing developers, to maximize tenant rights and provide homeownership and wealth building opportunities.
   b. For larger properties (i.e., five or more units), the Program should include both Tenant Organizations and PQOs as QPs and provide Tenant Organizations a priority right. This can enhance tenant rights and protection while providing opportunities for PQOs to preserve affordability and mitigate displacement when tenants don't have the resources to do so directly.
2. Eligible Properties and Exemptions
   a. In general, the Program should include properties with two or more units as eligible properties. For PQOs, eligible properties should be limited to larger properties where displacement risk is the greatest.
   b. Standard exemptions should include, but not be limited to, owner-occupied properties up to four (4) units, newly built properties, transactions among family members, properties subject to specified disposition process, and transactions with no transfer of property control.
3. Affordability Restrictions
   a. For smaller properties, the Program should not mandate affordability requirements to maximize tenant choice where there is the greatest opportunity for ownership and accompanying wealth generation.
   b. For larger properties, the Program should mandate rent and income restrictions to ensure affordability preservation. Rent limits are recommended not to exceed 30% of 80% Area Median Income (AMI) as adjusted for household size. Income limits should not exceed 120% AMI as adjusted for household size to be aligned with most first-time homebuyer programs.
   c. The Program should not result in displacement and eviction of existing tenants.
4. Transaction Timeline
   a. The exclusive Statement of Interest and Due Diligence periods for QPs to submit an offer should strike a balance between ensuring QPs' ability to effectively use the Program and minimizing market disruption (i.e., 40 days for smaller properties, 55 days for larger properties, and 85 days for mobile home parks).
   b. The Closing Period after Offer Acceptance should allow 90-120 days depending on the funding and financing ecosystem (i.e., the required timeline for public and non-profit financial institutions to underwrite and close transactions).

Implementation Strategies and Support

To support the successful implementation of the proposed TOPA policy and program, the team recommends a series of actions to strengthen the ecosystem and program systems. It is envisioned that all recommendations should be completed during the 18-month implementation period to coincide with the Program's launch.

1. Program Operations

    a. Create a TOPA Program Implementation Committee. This committee will be responsible for overseeing the successful implementation of the preferred program design and will ensure interdepartmental communication on topics of staffing, funding, and information management.

    b. Assign LADCBA to serve as Program Administrator with support from other County departments. LADCBA staff should serve as the Program's project manager with assistance from other departments for key support functions, such as LACDA and its experience in administering public funding and the prequalification system for non-tenant QPs.

    c. Size internal staffing for general program administration to match Program transaction targets. Based on the recommended program design, there is a need for approximately two (2.0) FTEs of fully dedicated staff to support the administrative aspect of program operations for a total cost of approximately $500,000.

    d. Create synergies with other departments and existing staff to carry out core program support functions. LADCBA should clearly identify lead departments and staff for each responsibility and consider actions to reduce the immediate staffing burden. The TOPA Program will require an additional 15.0 staff members within LADCBA and other departments, on top of program administrative staff, with a total cost of $2.0 million.

2. Technical Services

    a. Dedicate funding to community benefit organizations for education and tenant organizing. The County should allocate a portion of its Community Development Block Grant funding for housing counseling with annual allocations of at least $500,000 to fund tenant advocates and educational service providers.

    b. Create tools to proactively identify at-risk properties and allow efficient deployment of technical services. Property information should include building characteristics as well as area demographic information, such as racial characteristics and household income profile. This information could be integrated with the County's TRACT tool.

    c. Phase in enforcement of transaction reporting for the TOPA Program to educate the real estate community. The first year of the Program can focus on educating brokers, realtors, and sellers on their responsibilities with enforcement occurring thereafter to ensure a smooth transition to a TOPA-governed real estate market.

3. Program Funding and Financing

    a. Enhance the existing preservation fund (L.A. County Housing Innovation Fund) to better support TOPA Program transactions. LACDA will play a key role in the Innovation Fund's funding guidelines, QP prequalification and recertification, funding awards, and scoring while leveraging external community development financial institutions for fund management support. Recommended changes to the fund for TOPA Program transactions include:

1. Increase flexibility of loan-to-value to increase above 100%. Predevelopment loans should cover a variety of costs, such as attorney or development consultant, environmental study, appraisal, physical needs assessment, earnest money deposit, and acquisition-rehab needs. The County, through their own sources or fundraising through non-profits and philanthropy, will need to identify top loss funds to enable these expenses while maintaining a reasonable cost of funds.
2. Verify funding availability ahead of the due diligence period. Allowing QPs to secure an initial approval of takeout sources can increase competitiveness of QP offers, where sellers typically look for 20-day due diligence periods compared to LACDA's 45-day minimum.

b. Identify new funding sources for preservation efforts to make QPs competitive with market transactions. Examples of potential new funding sources could include philanthropic funding and potential tax measures.

c. Consider creating a strike fund for Tenant Organizations and PQOs to support property acquisition**.** This fund would offer tenants access to short-term capital to cover predevelopment costs, including an earnest money deposit, which an owner can request from a QP exercising their Right of First Offer and cost up to 3% of the offer price. Upon acquiring permanent financing, the strike fund loan would be repaid in full. PQOs can also benefit from this funding source as a form of bridge financing to close transactions within the program-designated timeline.

4. Program Systems and Data Tracking

a. Design and house a Notice of Sale registration system. This system would allow property owners to register when they intend to list their property and send out automatic notifications to TOPA Program QPs for an opportunity to submit a Statement of Interest.

b. Consider existing data infrastructure when designing the TOPA Program's data collection system. Intake forms should strive to avoid duplicating efforts, streamline the real estate transaction process, and minimize market friction and administrative burden. The Assessor's Change in Ownership Statement form should be modified to include TOPA Program information, namely the assignment of rights. Additionally, LADCBA's rent registry should be updated to consider additional voluntary tenant characteristics, including presence of households of color, household size, and more specificity on existing items, such as the income/AMI range of households.

c. Establish key performance metrics to ensure compliance, evaluate program effectiveness, and further equity goals. Goals should be both related to enforcement as well as performance for the program, and progress should be easily tracked through the creation of program dashboard.

Appendices

Appendix A: Glossary

Term	Definition
Key Stakeholders	
Tenant Organization (TO)	An organization representing a defined minimum percentage of the occupied rental units in a rental property (recommendation: 50% + 1 unit), who has organized itself as a legal entity, adopted governance documents, and can acquire real property and execute contracts.
Qualified Purchaser (QP)	Individual(s) or entity (entities) engaged, or seeking to engage, in the purchase of eligible properties who has (have) "Qualified" for the right to exercise under an Opportunity to Purchase Act (OPA).
Limited Equity Housing Cooperative	A homeownership model in which residents purchase a share in a development (rather than an individual unit) and commit to resell their share at a price determined by formula—an arrangement that maintains affordability at the original resident income level at purchase, or a specific affordability level, over the long term.
Community Land Trust (CLTs)	Non-profit, community-based organizations governed by a local board of residents and public representatives that purchase land. Purchasing residents are provided renewable leases with sale provisions that require homes remain affordable to the subsequent residents.
Tenant Advocates	Community-based organizations that provide tenant education and tenant organizing support.
Development Consultants	Non- or for-profit providers that directly support TOs exercising their OPA rights, often to independently purchase, create financing plans, apply for financing, and provide ongoing asset management support.
Type of Rights	
Assignment of Rights	Instead of purchasing the building themselves, a QP can exercise its OPA rights in partnership with other groups, or they can assign their rights to another person or entity.
Opportunity to Purchase Act (OPA)	Suites of policies and regulations granting QPs often tenants, local governments, mission-driven affordable housing developers, or CLTs—the Right of First Offer and/or Right of First Refusal.
Right of First Offer (ROFO)	In the context of an OPA, before an owner of a rental property may offer it for sale from any third party, they must provide QPs the opportunity to express interest and make an offer on the property.

Right of First Refusal (ROFR)	In the context of an OPA, before an owner of a rental property may sell to a third party that has made a satisfactory offer, they must first provide each QP an opportunity to match that third-party offer and receive those offers in good faith.
Right to Exercise	The ability for an entity to exercise ROFO or ROFR based on the guidelines of the OPA Policy or the assignment of rights by a QP.
Process	
Offer of Sale	A notice from a property owner indicating the intent to discontinue the use of a rental facility and sell the property.
Notification	An owner's written notice provided to Qualified Purchasers, initiating the offer process.
Statement of Interest	A clear expression from the Tenant, TO, or other QP that they intend to further consider making an offer to purchase the eligible properties.
Negotiation	The interaction between the Owner and interested purchasers setting the sale price and conditions on the property.
Closing	The phase when purchasers finalize loan closing before the transaction is closed and title is officially transferred from the seller to the buyer.
Third-Party Offer	A third party's written offer to purchase, delivered to the owner(s), documenting a firm commitment of a third party to purchase the property.
Transfer	A change in ownership or control of the property, whether voluntary or by operation of law, excluding an involuntary transfer by eminent domain. A transfer may be a direct or indirect sale, agreement to sell, assignment, or conveyance of the property.
Bona Fide Offer of Sale	An Offer of Sale for a residential property for a price at least as favorable as the appraised value of real property and its improvements, excluding any liens effective before sale or transfer if they are satisfied during the sale or transfer process.
Resale Price	The price at which a property may be resold.
Deed Restriction	A legally binding clause in the property title that restricts the use or development of real estate and remains with the property through sale or transfer. Deed restrictions on the affordability of housing ensure a designated number of units remain affordable to households of a specified income level. Restrictions on affordability may be imposed as a condition of receiving financing or incentives for the creation or preservation of affordable housing. Deed restrictions typically may not be removed but expire after a set period of time.

Appendix B: Case Studies

TOPA for Unincorporated LA County

Precedent Review and Best Practices

April 2023

01

Executive Summary

Defining Goals ▪ Driving Impact

Tenant Opportunity to Purchase Acts (TOPAs) *are suites of policies and regulations granting* ***qualified purchasers (QPs)****— often tenants, local governments, mission-driven affordable housing developers—the* ***Right of First Offer***[1] *and/or* ***Right of First Refusal.***[2] *TOPAs often aim to accomplish specific goals, like* ***empowering existing tenants or preserving long-term affordability****.*

1. Right of First Offer (ROFO): In the context of an TOPA, before an owner of a rental property may offer it for sale or accept any unsolicited offer to purchase from any third-party, they must provide QPs the opportunity to express interest and make an offer on the property.
2. Right of First Refusal (ROFR): In the context of an TOPA, before an owner of a rental property may sell to a third-party, they must first provide each QP an opportunity to match that third party offer and receive those offers in good faith.

WHY AN OPPORTUNITY TO PURCHASE ACT?

In 2021 the Board of Supervisors passed a motion to explore the possible adoption of a **Tenant Opportunity to Purchase Act (TOPA)** for unincorporated areas. This program would build upon LA County's recently passed policies that **protect renters from eviction and displacement**.

Rent Stabilization and Tenant Protections Ordinance

Established maximum annual rent increase and tenant protections from evictions without just cause for unincorporated areas of LA County.

Date Passed:
December 11th, 2020

Community Land Trust (CLT) Pilot Program

Partnership with 5 Community Land Trusts (CLTs) and Community Development Corps (CDCs) to identify and purchase properties for affordable housing. Budgeted $14MM for these acquisitions.

Date Passed:
September 29th, 2020

Displacement Prevention Programs

Prioritizing areas at-risk of displacement for Los Angeles County Development Authority (LACDA) NOFA award, Stay Housed LA County Program, Foreclosure Prevention and Mortgage Assistance.

To be released:
Fall 2022

PRECEDENT POLICY REVIEW

The team surveys five programs across the country to understand key policy considerations and tradeoffs to inform best practices and recommendations for LA County.

WASHINGTON D.C.

Tenant Opportunity to Purchase Act (TOPA)

Established
1980

One of the oldest in the county, maximizes tenant rights to determine the future of their properties. Recent policy changes, including new funding supports, have increased its usage.

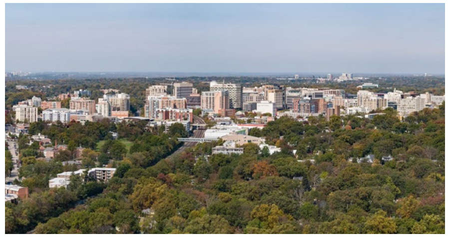
MASSACHUSETTS

Manufactured Housing Community Right of First Refusal (ROFR)

Established
1986

Focuses on tenant rights and homeownership to help residents in manufactured home communities at risk of discontinuance.

MONTGOMERY COUNTY



Right of First Refusal (ROFR)

Established
1989

Focuses on affordable housing preservation and features exemplar data tracking. Funding constraints have limited the impact of the program.

PRINCE GEORGE'S COUNTY

Right of First Refusal (ROFR)

Established
2013

Focuses on affordable housing preservation. With low utilization, changes in 2020 to streamline qualified purchasers has increased program usage.

SAN FRANCISCO

Community Opportunity to Purchase Act (COPA)

Established
2019

Focuses on affordability preservation , with a limited list of qualified non-profit affordable housing providers as qualified purchasers.

POTENTIAL POLICY OBJECTIVES

OPAs aim to increase access to housing and can achieve different objectives through program design. Tradeoffs are necessary, often with an inherent tension between policies favoring tenant empowerment and affordability preservation.

TENANT EMPOWERMENT

- Influence over transactions
- Access to new financial opportunities
- Entitlement to displacement compensation

ANTI-DISPLACEMENT

- Prevent tenant displacement
- Rent stabilization

AFFORDABILITY PRESERVATION

- Increase the stock of permanent affordable housing
- Limit rent increases for existing tenants

INCREASE HOMEOWNERSHIP

- Build homeownership for low-income renters in communities of color
- Wealth generation for residents

PROGRAM DESIGN OPTIONS

To achieve these goals, TOPAs have four main program design elements that shape their impact.

Affordability Restrictions

The restrictions placed on the level of affordability

- Affordability restrictions impact **affordability preservation, displacement, and wealth creation.**
- Affordability may be restricted by **limiting rent burdens or capping the resale price**

Eligible Housing Types

The housing types impacted by the policy

- Building types covered by the TOPAs, usually determined by the **number of units**.
- **Ownership types** covered by the TOPAs, usually excluding properties with an owner occupant and income-restricted properties.

Qualified Purchasers

The parties conferred purchase rights

- Qualified Purchasers (QPs) are individuals and entities authorized to **exercise purchase rights**
- QPs are often **tenants, tenant orgs., CLTs, for-profit and affordable housing developers, or nonprofits**

Assignment of Rights

The process and eligible recipients of purchase rights

- Assignment of Rights lets QPs **transfer rights** to a different entity.
- Assignments impact **ownership**, **affordability**, and **tenant rights.**
- Allows under-resourced QPs **access to rights by proxy** to meet their goals.

PROGRAM DESIGN SPOTLIGHT | AFFORDABILITY RESTRICTIONS

An TOPA's affordability restrictions are driven by the policy goals, capacity of affordable operators, and available funding.

Some TOPAs impose affordability restrictions on properties purchased through the TOPA process. This is more common in TOPAs aimed at affordability preservation and less common in TOPAs aimed at tenant rights, which allow tenants to determine their level of affordability.

Affordability restrictions impact **market interest and property value**, the **public financial support** required to complete purchases, and the **timeline** needed to secure financing.

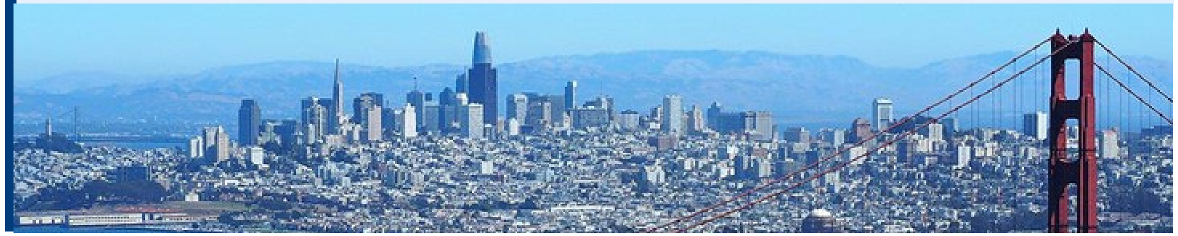
1. Affordable Operators are non-profit housing development corporations who provide and manage affordable housing units.

WASHINGTON D.C.

D.C.'s TOPA leaves affordability restrictions up to tenant purchasers. With the help of public financial support, tenants can negotiate affordability restrictions. Instead, tenants can also forego rent restrictions or take a buyout offer from a third-party that can then forego rent restrictions.

SAN FRANCISCO

San Francisco's COPA permanently restricts COPA-purchased buildings' average rents to 30% of 80% AMI and average tenant incomes to 120% AMI. This impacts QP wealth generation, requires special financial support, and guarantees affordability.



Affordability restrictions preserve affordability, but they also inhibit wealth creation, involve more public financing, and require longer financing timelines.

No Affordability Restrictions ⟷ *Mandated Affordability Restrictions*

Sample Options

Montgomery County ROFR
QPs have full discretion to implement restrictions

D.C. TOPA
QPs can leverage their rights to negotiate 3rd party restrictions

San Francisco COPA
OPAs mandate affordability restrictions

Elective Affordability Restrictions

An TOPA **with elective restrictions** leads to:

- No required affordability preservation[1]
- Greater market interest and offer competition in impacted sales
- Less public financing required
- Faster financing
- Greater wealth generation for the qualified purchaser (tenants, nonprofit, etc.)

Mandated Affordability Restrictions

An TOPA **with mandated restrictions** leads to:

- Affordability preservation
- Less market interest and offer competition in impacted sales
- More public financing required
- Longer financing timelines
- Less wealth generation for qualified purchaser

PROGRAM DESIGN SPOTLIGHT | HOUSING TYPES

An TOPA's eligible housing types determine which households and how much of the market the policy will impact

OPAs always define eligible housing types, usually based on number of units. Often, TOPAs outline exceptions for certain housing conditions and types of sales, like vacancy, foreclosure or existing affordability restrictions.

The eligible housing type shapes the scale of impact an TOPA has on the housing market. A narrowly defined TOPA will impact only a small portion of transactions, while a broad one will touch almost every residential property transferred.

PRINCE GEORGE'S COUNTY

Prince George's County's ROFR impacts properties with 20+-units. The process impacts less transactions and does not impact small multifamily properties, which generally require more public financing. The County can govern the ROFR using less capacity with a lower volume of transactions to review.

WASHINGTON D.C.

After the removal of single-family homes due to disparate impact on owner-occupants, D.C.'s TOPA now impacts properties with 2 or more units. With broad eligibility, this policy impacts most renters and most rental sales, requiring more oversight capacity, longer organization periods, and varied financing.

PROGRAM DESIGN SPOTLIGHT | HOUSING TYPES

Allowing more eligible housing types leads to more transactions and requires more oversight capacity and financing support.

Fewer Eligible Properties ⟷ *More Eligible Properties*

Sample Options

Prince George's County ROFR
20+ units

5-20 units

2-4 units

D.C. TOPA
Any rental/investment properties

Fewer Eligible Housing Types

An TOPA that includes **fewer** eligible housing types leads to:

- Fewer TOPA transactions
- Limited unit types often fit for smaller households
- Less capacity required to oversee
- Uniform financing needs and timelines
- Less market disruption

More Eligible Housing Types

An TOPA that includes **more** eligible housing types leads to:

- More TOPA transactions
- Potentially includes single-family
- More geographic variety
- More capacity required to oversee
- Varied financing needs and timelines based on housing type
- Higher market disruption and potentially stronger opposition

Note: Single-family units typically have more bedrooms and are better suited for large households, including families with children. 2-4-unit buildings can include owner-occupants; 5-20-unit buildings are "small multifamily"; 20+ unit buildings are "large multifamily."

PROGRAM DESIGN SPOTLIGHT | QUALIFIED PURCHASERS

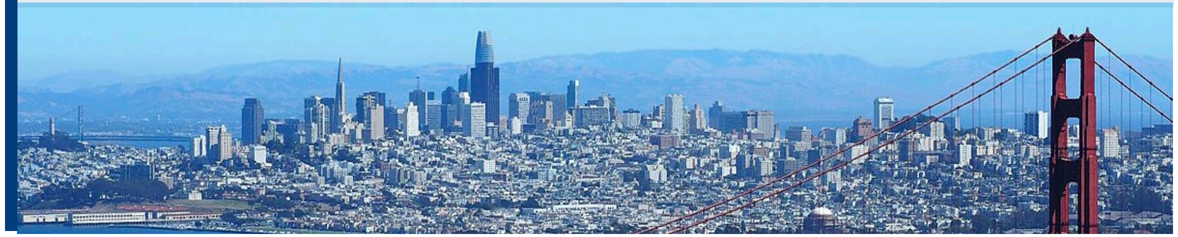
An TOPA’s qualified purchasers have the right to make a qualified offer on a property.

Qualified purchasers (QPs) are granted the right to make an offer to purchase a property. The timing and other requirements for the offer depend on terms of the TOPA. Without an TOPA tenants, community land trusts, and nonprofits struggle to purchase properties because of the pace, pricing and seller preferences.

The **timeline and other requirements** set by an TOPA influence the ability of a QP to exercise the right to purchase. The availability of **financing** to support transactions, is also critical to the ability of a QP to exercise their rights under an TOPA.

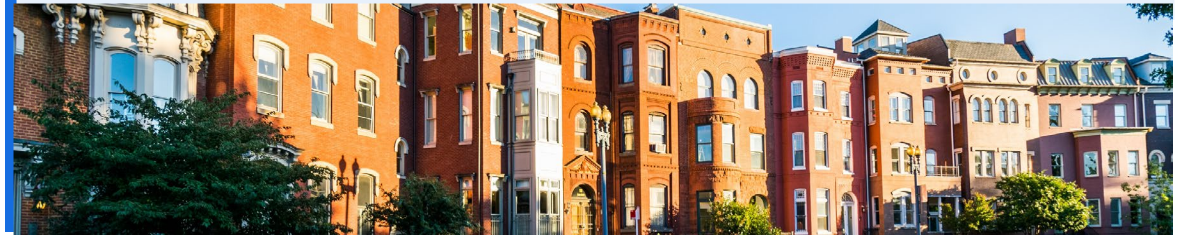
SAN FRANCISCO

San Francisco’s COPA affords no new rights to tenants. Instead, it prequalifies experienced non-profit affordable housing developers to receive all eligible sale notices. This approach can shorten transaction timelines and reduce external supports by allowing experienced developers to navigate processes they are already familiar with.



WASHINGTON D.C.

D.C.’s TOPA gives tenants the right to purchase eligible properties. They can also assign purchase rights and form partnerships with developers to purchase. Granting tenants priority rights requires more time to organize and greater technical and financial support.



PROGRAM DESIGN SPOTLIGHT | QUALIFIED PURCHASERS

The qualified purchaser decides whether purchase rights are waived, exercised, or assigned.

Limited QPs ⟷ *Broad QPs*

Sample Options

Prince George's County ROFR	San Francisco COPA	D.C. TOPA	
Local government only	**Designated developers**	**Tenants and tenant organizations**	**Any developer**

Limited QPs

An TOPA that affords rights to broader **entities** as QPs leads to:

- More affordability-restricted housing
- Shorter sale timelines and less market disruption
- Less necessary technical support
- More established financing tools
- Fewer tenant rights
- Easier transaction tracking

Broad QPs

An TOPA that affords rights primarily to **tenants** as QPs leads to:

- Typically, no affordability required
- More tenant agency
- Longer sale timelines and more market disruption
- More technical support
- More special financing needed
- Greater opportunity for ownership
- More difficult transaction tracking
- Can create ambiguity that clouds title and limits sales

Note: If purchase rights are tiered, qualified status may be subordinated. Designated developers are often nonprofit affordable housing developers selected by the jurisdiction through an RFP process.

PROGRAM DESIGN SPOTLIGHT | ASSIGNMENT OF RIGHTS

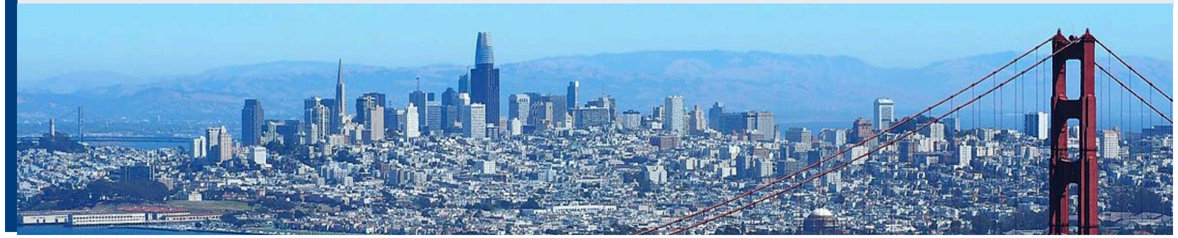
Whether an TOPA allows assignment of rights determines whether QPs can transfer rights to a third party.

Some TOPAs allow QPs to assign their rights. Rights may be assigned through an RFP process, public recommendation, or settlement.

Allowing assignment of rights can impact **timelines** and the **technical assistance** required to complete a transaction. It can also **give tenants more purchase options** and make it easier for under-resourced QPs to **exercise TOPA rights**, even if by proxy.

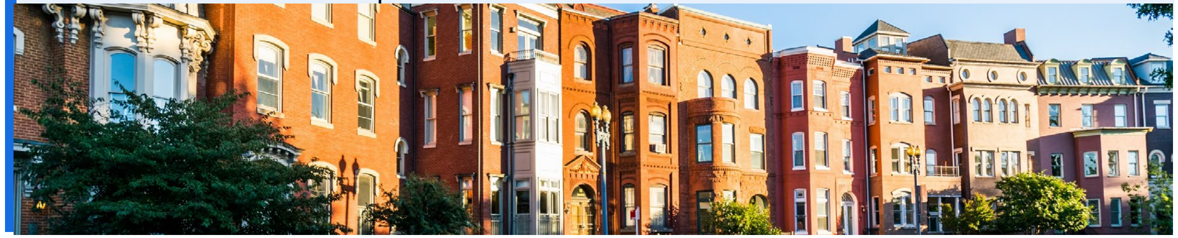
SAN FRANCISCO

San Francisco's COPA does not allow its qualified purchasers to assign their rights. The SF COPA limits qualified purchases to a set of vetted nonprofits to ensure their ability to carry out COPA transactions. This allows the policy to operate on shorter timelines and with fewer supports.



WASHINGTON D.C.

D.C.'s TOPA permits tenants to assign rights to any party. Rights may be assigned through an RFP process, tenant selection, public recommendation, or settlement. To set goals and assign their rights to an assignee that shares their goals, tenants need technical assistance from advocates and development consultants.



PROGRAM DESIGN SPOTLIGHT | ASSIGNMENT OF RIGHTS

Assigning rights allows qualified purchasers to decide their future property owner and negotiate sale conditions without securing funding for purchase.

QPs Cannot Assign Rights ⟷ *QPs Can Assign Rights*

Sample Options

No assignment of rights

San Francisco COPA
QPs can assign rights to specific entities

D.C. TOPA
QPs can assign rights to any entity

QPs Cannot Assign Rights

An TOPA that **does not allow** assignment of rights can lead to:

- Shorter sale timelines and less market disruption
- Uniform technical support
- Fewer options for QPs to exercise rights

QPs Can Assign Rights to Anyone

An TOPA that **allows** assignment of rights leads to:

- Longer and less predictable sale timelines
- Varied technical support
- More options for QPs to exercise rights

POLICY ECOSYSTEM

Program design decisions dictate the policy supports TOPAs require to be effective. In general, these supports consist of technical assistance, financing assistance, and supportive policy. Data tracking underpins success to effectively modify the program in response to performance and market feedback.

Technical Assistance

Builds qualified purchaser knowledge to most successfully exercise their rights

- Local organizations often have **existing relationships with tenants.**
- **Increase tenant capacity** through education and communication, organizing, legal advice, and ownership training.

Policies

Protects renter rights to ensure renters are not displaced and can organize

- **Renter protections** may precede or follow the passage of an TOPA.
- Policies may enhance long-term rental **affordability, protect tenants from displacement, or boost tenant power.**

Financing

Incentivizes program participation and increases access to capital for QPs

- Increases QP **ability to settle and close** transactions.
- **Increase budget** for pre-development and repairs, and **ability to secure bridge loans** and long-term mortgage financing.

Data Tracking

Allows reporting, measuring outcomes, and informs program design iteration

- Identify necessary TOPA **design tweaks** and **program support gaps**.
- **Advocate for new funding and program expansion** through demonstrated impacts.

02

Case Studies

Defining Goals · Driving Impact

INTRODUCTION TO CASE STUDY STRUCTURE

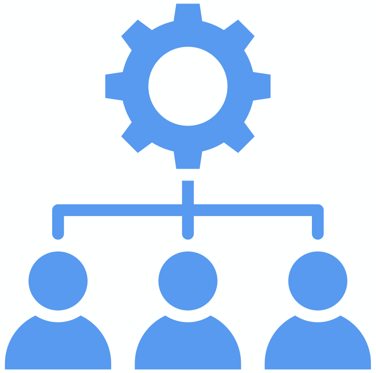
The case studies analyze four common components of each Opportunity to Purchase Act: Origin & Purpose, Program Design, Supporting Ecosystem, and Implementation & Impact.

ORIGIN & PURPOSE

Case studies identify each TOPA's goals.

PROGRAM DESIGN

Case studies identify an TOPA's key program design decisions.



SUPPORTING ECOSYSTEM

Case studies identify an TOPA's external technical, policy, and financing supports

IMPLEMENTATION & IMPACT

Case studies assess each TOPA's impact

D.C. Tenant Opportunity to Purchase Act (TOPA)

D.C.'s TOPA **maximizes tenants' rights** to determine the futures of their properties—tenants may choose to purchase the property, assign their rights, or not exercise their rights.

PRIMARY GOALS

- TENANT RIGHTS

SECONDARY GOALS

- ANTI-DISPLACEMENT
- INCREASE HOMEOWNERSHIP
- AFFORDABILITY PRESERVATION

Housing Type	TOPA Rights	Year Established
1*, 2-4, 5+	**ROFO, ROFR, Right to Assign**	**1980**

*1-unit transactions are only impacted if occupied by elderly or disabled tenant that took occupancy before April 15, 2018.

> "District law states that tenants in buildings up for sale must be offered the first opportunity to buy the building. The District encourages tenants to exercise this right—it stabilizes city neighborhoods, combats urban displacement and helps tenants become homeowners.
>
> - Department of Housing and Community Development (DHCD)

DC TOPA | ORIGIN & PURPOSE

TOPA was enacted in 1980 to combat displacement and encourage homeownership. Since, D.C. has expanded TOPA powers and funded new supportive financing and technical assistance programs.

1970

- Washington D.C. passes **Rent Control,** capping annual rent increases
- The **Condominium Act** provides tenants a voice in the decision on rental housing conversion and compensation for displacement

1980

- **TOPA is created** under Rental **Housing Conversion and Sale Act**, granting tenants ROFO and ROFR

2003

- The Housing Production Trust Fund **(HPTF)** is established from deed recordation and transfer taxes

2004

- City **allocates CBDG funding** to support TOPA

2005

- TOPA is amended to offer tenants the **option to assign their rights** to a third-party

2010

- The **HPTF is funded at $70M** to help finance low-income housing

2016

- Recommendations from **annual impact report** inform major policy changes in 2018

2018

- TOPA is amended to **eliminate** tenant protections in **1-unit properties**, boost 5+-unit tenant supports, and **create a fund for TOPA run by local CDFIs**
- DOPA **grants Mayor the opportunity to purchase** if tenants fail to exercise their right

DC's TOPA prioritizes tenants' rights, anti-displacement, and homeownership, offering broad, flexible rights with few restrictions.

Key Decision Points

Eligible Properties and Exemptions	• 1-unit: eliminated in 2018 with exemptions for senior and disabled tenants • 2+-units: 2-4-unit and 5+-unit buildings have varied timelines • Exemptions include transfers through deeds of trust, foreclosure, bankruptcy, court order, eminent domain, and to new entities and family members
Types of Rights	• **Right of First Offer** without an active third-party contract • **Right of First Refusal** to match an active third-party contract
Qualified Purchasers	• 1-unit: Tenant (only senior or disabled) or assigned party • 2-4-units: Collective tenancy, individual tenant, or assigned party • 5+-units: Tenant Organization or assigned party • District Opportunity to Purchase Act (DOPA) is a subordinated right held by the Office of the Mayor only active 120 days after the Offer of Sale
Assignment of Rights	• Tenant(s) **may assign their right to purchase to any party**. • The Office of the Mayor may assign their right to purchase to **pre-qualified developers**
Affordability Restrictions	• Tenant conversions to **limited equity cooperatives (LECs) limit the resale price** • Affordability restriction **depends on tenant negotiation**, type of financial support, and maintenance of existing rent restrictions

DC TOPA | PROGRAM DESIGN

Tenants control the outcome of the TOPA process, lengthening transaction timelines.

TOPA Process for 5+ Unit Properties **

Owners

OFFER OF SALE	NOTIFICATION	STATEMENT OF INTEREST	NEGOTIATION	CLOSING
Initiates sale of eligible property	***7 days:** Notifies tenants and relevant parties an **offer or Offer of Sale***	***60 days:** Provides due diligence info upon request*	***120-135 days:** Provides copies of 3rd- party contracts in applicable*	***120 days:** Accepts offer and receives deposit*

Tenants

Tenants choose not to proceed → **Market Sale**

*Incorporate Tenant Organization (TO) and submit a **Statement of Interest (30-45 days)***

→ *TO submit offer (**ROFO**) and match 3rd- party contract (**ROFR**)* → *TO secures financing and closes deal* → **TOPA Sale** *(Tenancy)*

→ *TO chooses not to proceed* → **Market Sale**

→ *Tenants **assign purchase rights** to any third-party* → *Assigned party chooses not to proceed* → **Market Sale**

Assigned

*QB submit offer **(ROFO)** and match 3rd- party contract (**ROFR)***

→ *Assigned party fails to match 3rd party offer* → **Market Sale**

→ *QB secures financing and close deal* → **TOPA Sale** *(Assigned)*

Outcomes

If no transaction is closed within **365 days**, TOPA process must start over with a new Offer of Sale.

- **Market Sale**
- **TOPA Sale** *(Tenancy)*
- **Market Sale**
- **TOPA Sale** *(Assigned)*

*TOPA notifications are triggered by a third-party *offer*, beginning the ROFR process, or *Offer of Sale*, beginning the ROFO process.
**1-unit, and 2-4-unit transactions have faster transaction timelines due to the time to secure financing and lack of need to organize and incorporate as tenants.

*Source: HR&A Advisors; *Exemptions: deed of trust, owner-occupant, foreclosure, bankruptcy, liquidation, court order, eminent domain, to a GP or corporation, minority interest estate sale, family sale*

DC's supporting ecosystem helps protect tenant rights, guard affordability, and make homeownership a reality.

Technical Assistance

For Tenants

- **Development Consultants** advise tenants and tenant organizations in carrying out their development plans.
- **Attorneys** guide tenant(s) in organization, partnership, financing, and compliance
- **Tenant Organizers** educate, organize, and connect tenants to empower decision-making, partner selection, negotiation, and transitions to Limited Equity Cooperatives
- **The Office of the Tenant Advocate** (OTA) builds resources for tenants and advocates, receives and communicates TOPA notices to stakeholders, and connects tenants to representation
- **Tenant Unions** create cross-association power by building consensus around policy

Policies

Tenant Rights

- **Condominium Conversion Law** grants tenants the right to vote on conversions
- **Right to Organize** prevents owners from interfering with tenant organizations
- **Low-Income Disabled** Tenant Rental Conversion **Protection** Amendment extends TOPA rights to tenants with disabilities

Anti-Displacement

- **DOPA** grants the Office of the Mayor a subordinate right to purchase.
- **Just-Cause Eviction** defines lawful eviction and judicial process for lease termination

Affordable Production & Preservation

- **Rent Control/Stabilization** establishes annual caps on rent and require the maintenance of rent restrictions.

Financing

Local Sources

- **The Housing Production Trust Fund (HPTF)** reliably offers long-term, varied low-interest financing options
- **The Housing Preservation Fund (HPF)** and CDFI partners provide $80M in bridge loans and grants for affordable properties
- **First Right Purchase Assistance Program** provides tenants access to quick capital
- **Site Acquisition Funding Initiative (SAFI)** is a revolving loan fund for nonprofit developers to cover predevelopment cost
- **The Small Building Program** provides repair financing for LECs and low-moderate income rental properties

Other Public Sources

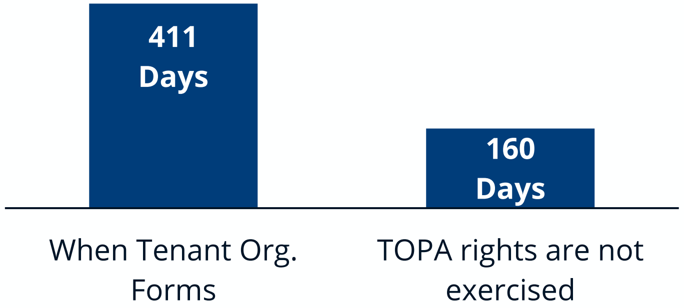
- **CDBG, HOME, LIHTC, and tax-exempt bonds** are sources of federal funds.

DC TOPA | IMPLEMENTATION & IMPACT

DC's TOPA has transformed the multifamily real estate market and provided pathways to affordable housing preservation and homeownership.

MULTIFAMILY MARKET IMPACT

DAYS BETWEEN OFFER OF SALE AND CLOSE[1]

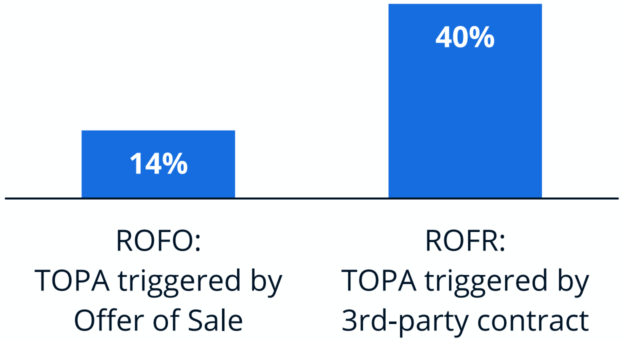


30%

of multi-unit annual sales go through the TOPA process[1]

USAGE OF TOPA RIGHTS

FREQUENCY TOPA RIGHTS ARE EXERCISED[1]



72%

of buildings entering the TOPA process have **fewer than 50 units[1]**

67%

of units entering the TOPA process are **in 200+ unit buildings[1]**

HOUSING IMPACT

3,500

Units of affordable housing preserved from 2002-2007[2]

4,400

Units under LEC structures as of 2019[3]

$256K

Average price per unit successfully completing the TOPA process[1]

1. Greysteel 2014-2015 D.C. Multifamily Market Statistics. 191 properties with 10+ units offered for sale were surveyed.
2. DCFPI analysis of data obtained from the DHCD before FY 2007. Capacity to fund affordable housing and volume of units preserved has increased with the HPTF and HPF.
3. CNHED 2020 Creating and Sustaining Limited Equity Cooperatives in the District of Columbia

Single-family homes were exempted from DC's TOPA in 2018 due to the limited success rate of renter purchases and to minimize its impact on homeowners.

Overview

Program Goal: DC TOPA gave residents the first right to purchase the home they live in at full market value with a goal to prevent tenant displacement. It includes single-family homes as eligible properties as it first established.

Program Impact: Single-family TOPA sales comprised 1.76% (7/398) of TOPA sales from 2009-2015.[2]

Exemption: The TOPA Single-family Home Exemption Amendment Act of 2018 concluded that single-family sales were too complex to enforce. Recommended changes included reducing the TOPA timeline and exempting sales by owner-occupants and sales that include tenants in ADUs or basements.

Challenges

Program Design

- Owner-occupants with ADUs and basement units were burdened with **delays and heightened sales costs.** Their tenants were largely not financially capable of purchase.
- Tenants exploited the 180-day TOPA timeline to hold up sales and pressure owners into "buying-out" their rights[1]

Supporting Ecosystem

- Tenants were often **not prepared to secure financing** at the time of opportunity
- The Home Purchases Assistance Program (HPAP) process was too slow to support tenants

Implementation & Impact

- TOPA sales were not tracked in an electronic database, making it **difficult to measure program outcomes**
- Heightened sale costs were passed on to the buye,r increasing home prices and rents[1]

1. The Committee on TOPA analyzed sales from DHCD hard copy documentation and the Office of Tax and Revenue's real property tax database.

D.C.'s TOPA grants tenants the most control over their properties' futures but compromises control over affordability and transaction timelines.

Program Design

Successes

- Informed **tenants have discretion** over the future of their rental properties
- **Senior or disabled tenants** receive expanded property coverage
- Tenants can leverage their goals by engaging developers in a **competitive RFP process**
- Low-income **tenants achieve ownership** through Limited Equity Cooperatives (LECs)

Challenges

- **Affordability is not maintained** when tenants choose buy-outs
- Single family is a growing portion of housing stock. Most residential land in D.C. is zoned single family. This stock is **no longer protected by TOPA.**
- Tenant organization participation acutely **lengthens transaction timelines**

Supporting Ecosystem

Successes

- Financing programs serve purchasers that need **access to short-term financing**
- Pools of public and private capital can help **preserve small buildings** with code violations
- Tenant rights policies **protect organizing, information-sharing, and ownership**
- **Tenant organizers may be funded** to support tenant education and organizing

Challenges

- There is a **lack of attorneys specializing** in TOPA
- DOPA, the District's subordinate rights, has **insufficient funding**
- Data on TOPA properties and funding is **not tracked**, limiting purchaser confidence

Implementation & Impact

Successes

- DC's TOPA has become the **most successful example** of a Right to Purchase Policy after improvements which increased funding and staff
- Co-tenants who seek different outcomes may receive **varied compensation types** from assigned TOPA developers to meet their needs

Challenges

- The District cannot measure program success, enforce against bad actors, or inform reforms **without publicly-funded TOPA tracking**
- Tenants may assign rights to developers that reach out to them first, even if their **goals do not align**
- With **few sources of permanent financing,** small multifamily buildings still garner low appetite from developers

San Francisco's Community Opportunity to Purchase Act (COPA)

S.F.'s COPA is **aimed at affordability preservation**—Qualified Purchasers must be non-profit affordable housing providers and maintain rent restrictions in perpetuity.

3+	ROFO, ROFR	2019
Housing Type	TOPA Rights	Year Established

PRIMARY GOALS

- AFFORDABILITY PRESERVATION
- ANTI-DISPLACEMENT

SECONDARY GOALS

- INCREASE HOMEOWNERSHIP

"The Community Opportunity to Purchase Act (COPA) gives **qualified non-profit organizations** the **right of first offer** and/or the **right of first refusal** to purchase certain properties offered for sale in the City. COPA was created to **prevent tenant displacement** and promote the **creation and preservation of affordable rental housing**"

- Mayor's Office of Housing and Community Development

SF COPA | ORIGIN & PURPOSE

COPA is San Francisco's latest policy impacting housing affordability and access to property sales. It builds on financing programs and legislation passed since 1979 to combat homelessness and a growing affordability crises.

1979
- San Francisco passes the **Rent Ordinance,** enforcing rent restrictions

1985
- CA passes **Ellis Act**, permitting evictions for landlords withdrawing properties from the rental market

2014
- **Ellis Act** is amended to prevent conversion to condominiums within first five years of exiting the rental market
- The **Small Sites Program** launches to provide permanent financing for small affordable buildings
- The **Housing Balance Report** set a goal for San Francisco to preserve 1,000 affordable units per year.

2019
- **COPA** passes City Council, designed to leverage the Small Sites Program

2020
- CA passes **statewide rent control** and requires **just-cause eviction**

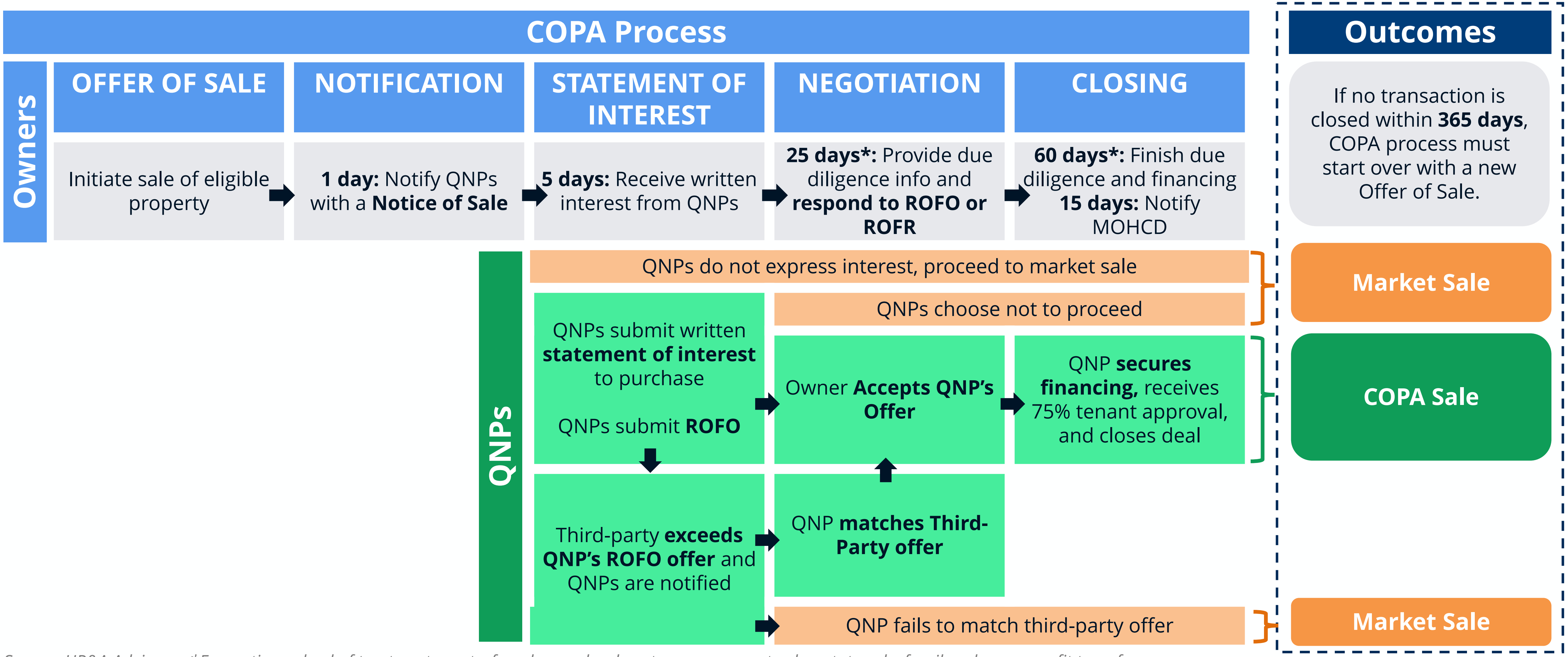
By granting rights to few purchasers and requiring permanent affordability, COPA helps nonprofits create and preserve permanently rent-restricted units.

Key Decision Points

Eligible Housing Types	• Residential buildings with **3 or more units** • **Vacant land** zoned for residential buildings with 3 or more units • Exemptions include foreclosure sales by lenders, transfers to beneficiaries and heirs *(not trustees)*, gifts to Charitable Remainder Unitrust (CRUT)
Types of Rights	• **Right of First Offer** without an active third-party contract • **Right of First Refusal** to match an active third-party contract
Qualified Purchasers	• 8 **Qualified Nonprofits (QNPs)** selected by the City through an application process • After purchase, QNPs may convert COPA purchased properties into **limited equity cooperatives**
Assignment of Rights	• Qualified purchasers **may only assign COPA rights to other qualified purchasers**
Affordability Restrictions	• Average **rents permanently restricted to 30% of 80% AMI**, with annual increases not to exceed 4% per Rent Ordinance • Average tenant **income permanently restricted to 120% AMI**, excepting existing tenants with greater incomes

SF COPA | PROGRAM DESIGN

By limiting purchasers to specific QNPs, COPA creates less market disruption.



*Source: HR&A Advisors; *Exemptions: deed of trust, co-tenants, foreclosure, bankruptcy, government sale, estate sale, family sale, non-profit transfer*

By design, QNPs understand affordable housing policy and finance. Additional technical, regulatory, and financing resources help QNPs maximize COPA's utility.

Technical Assistance

For QNPs

- **Development Consultants** assist QNPs with outreach, strategy, and programming
- **Attorneys** advise QNPs on legal structures, negotiations, zoning, entitlement, and written communications
- **Brokers** market properties, communicate with tenants, and negotiate for owners
- **Nonprofit Advisors** support QNPs with trainings and tools to build internal capacity. These include:
    - The Citywide Nonprofit Monitoring and Capacity Building Program
    - OneSF Neighborhood Support Center Program

For Tenants

- **Tenant Advocates** support tenant organizing, communications, and transitions to Limited Equity Cooperatives

Policies

Tenant Rights

- **SF Right to Organize** requires owners to allow tenant organizing and to meet with tenant organizations

Anti-Displacement

- **CA Just-Cause Eviction** defines lawful eviction and judicial process
- **CA Ellis Act** restricts condominium conversions after rental eviction

Affordable Production & Preservation

- **SF Inclusionary Housing** impacts vacant land acquisitions, requiring new projects of 10+ units to provide affordable housing
- **SF Rent Ordinance** caps annual rent increases at 4%

Financing

Local Sources

- **The Housing Accelerator Fund** leverages $4B in philanthropic and private capital to provide bridge financing to nonprofit affordable housing developers
- **The Small Sites Program** provides up to $400K per unit in permanent financing for buildings with 5 to 25 units that are restricted to 50-120% AMI affordability.
- **The Non-Profit Affordable Housing Rehab Program** has loaned $13.7M for rehabs
- **SF OEWD Small Business Grants** fund technical assistance for non-profits

Other Public Sources

- **FHLBank SF** Affordable Housing Program for properties with 20% of units <=50% AMI
- **CDBG and HOME** are dedicated sources of flexible federal funds.

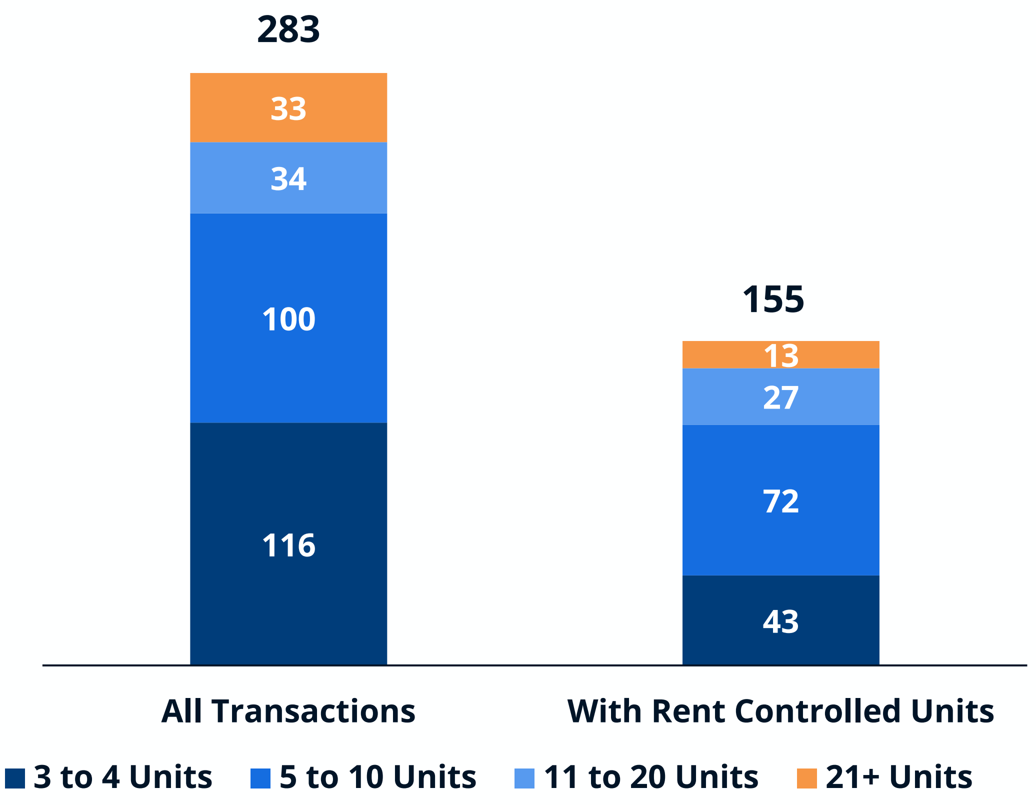
There were 283 COPA-eligible building sales in COPA's first year, accounting for at least 1,915 units. Most of these buildings had ten units or less.

Currently, the **City does not systematically track COPA transactions**, though some QNPs collect transaction data.

According to the Mission Economic Development Agency (MEDA) and legal experts:

- There were **283 building sales eligible** for COPA in the program's first year.
- Since 2020, COPA has been exercised by QNPs at least 15 times, creating 222 units of affordable rental stock at a **per-unit acquisition cost of $325,837**.

COPA Eligible Sales by Building Size
2019-2020



Source: San Francisco Housing Accelerator Fund. Mission Economic Development Agency (MEDA), IMPACT Indeed.

San Francisco's COPA achieves minimal market disruption and has an ecosystem of meaningful financing supports. Even so, its lack of data collection infrastructure makes it difficult to assess impact.

Program Design

Successes

- **Vacant lots are eligible housing types**, allowing QNPs to construct new permanently affordable housing
- By limiting eligible purchasers to experienced affordable housing developers, **COPA limits market interference**
- **LEC conversions** can make COPA a pathway to homeownership

Challenges

- QNPs struggle to compile bids and access financing within the **short COPA timeline**
- The City **cannot measure program success** without tracking COPA notices and purchases

Supporting Ecosystem

Successes

- The Housing Accelerator Fund and Small Sites Program are consistent sources for immediate and difficult-to-obtain **short-term financing**
- The **Rent Ordinance** augments COPA's rent restrictions.

Challenges

- QNPs struggle to compile bids and access financing within the **short COPA timeline**
- QNPs face challenges to secure **tenant cooperation** and approval**, technical assistance,** and access to low-cost **funding /financing** within the timeline

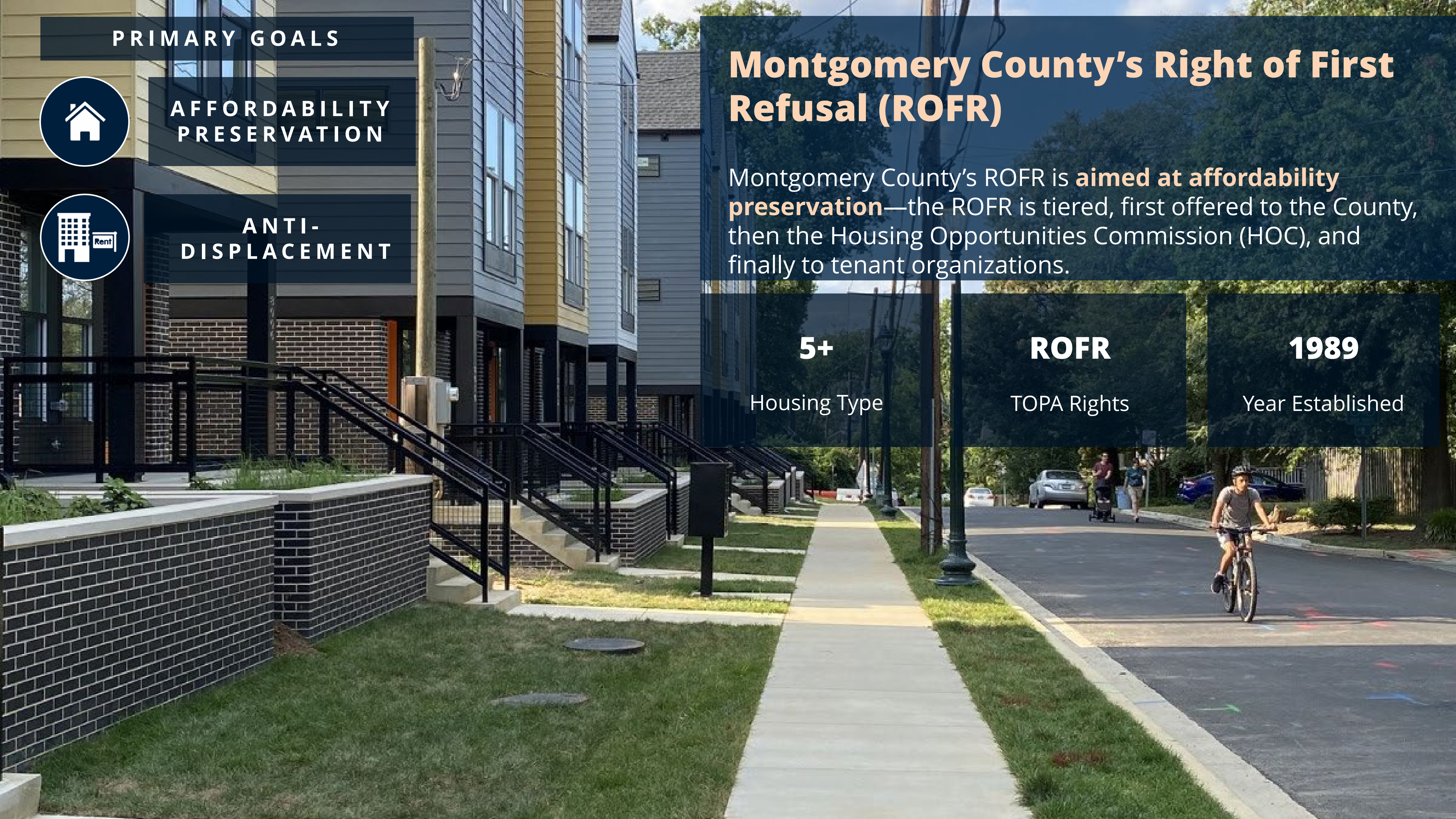
Implementation & Impact

Successes

- MEDA, a qualified non-profit, has successfully **exercised their COPA rights six times** in the first year of the program
- COPA has made **property sales more equitable** by bringing light to previously unlisted for-sale properties
- **Realtors build internal capacity** to help parties comply with TOPA law

Challenges

- Some QNPs limit their scopes to specific neighborhoods, leaving **some areas without dedicated service**
- **Tenants need to trust QNPs** to agree to income certify and give up Affordable Housing Program rent protections
- Tenants have **yet to form an LEC** through the program



PRIMARY GOALS

AFFORDABILITY PRESERVATION

ANTI-DISPLACEMENT

Montgomery County's Right of First Refusal (ROFR)

Montgomery County's ROFR is **aimed at affordability preservation**—the ROFR is tiered, first offered to the County, then the Housing Opportunities Commission (HOC), and finally to tenant organizations.

5+	ROFR	1989
Housing Type	TOPA Rights	Year Established

"

Montgomery County's ability to preserve existing affordable housing by purchasing it under the Right of First Refusal (ROFR) law and regulation is one of the goals of the Affordable Housing Opportunity Fund and has been a major use of the Housing Initiative for many years."

- Planning, Housing, and Economic Development Committee

Montgomery County established its ROFR policy and supportive financing sources in the 1980s to prevent displacement. Neither have reached their potential due to insufficient funding and a lack of qualified purchaser capacity.

1974

The Moderately Priced Dwelling Unit (MPDU) law requires 15% of units be set aside for <150% AMI

The Housing Opportunities Commission (HOC) is established to provide affordable housing

1980

The **Tenant Aid Displacement Fund** is established

1981

The Tenant Displacement Ordinance grants the ROFR to the County, HOC, and tenant organizations

1988

The Montgomery Housing Initiative Fund was created to support ROFR opportunities

2021

The Housing Production Fund established a $50M fund to support the HOC

Limitation Against Rent Increases and Late Fees Act caps rent increases based on the CPI

Montgomery County's suite of qualified purchasers and potential ROFR assignees allows flexibility in decision making at the property level.

Key Decision Points

Eligible Housing Types	• Residential buildings with 5+-units built before 1981
Types of Rights	• **Right of First Refusal with an active third-party contract—**the right is tiered, (1) County, (2) HOC, and (3) tenant organization • In incorporated areas, the exercise of ROFR rights is subject to approval from municipality
Qualified Purchasers	• County, HOC, and certified tenant organizations
Assignment of Rights	• **County-assigned purchasers:** The County may assign purchase right to a developer of their choice, typically affordable housing developers • **Agreement to Not Convert:** Third-parties may sign an agreement "Not to Convert" with the County, requiring affordability be maintained for 3 years and the continue use as rental housing for 5 years. • **Joint Ventures:** Tenant Organizations may form a joint venture with a third-party, retaining 15% of ownership, to acquire property
Affordability Restrictions	• No explicit restrictions impact the rental affordability and resale price • Actual affordability restriction depends on purchaser Affordability Plan and use of the ROFR Preservation Fund.

MONTGOMERY COUNTY'S ROFR | PROGRAM DESIGN

By tiering the ROFR right, the County can quickly manage ROFR notices and evaluate the use of public resources for HOC and tenant acquisitions.

ROFR Process

	OFFER OF SALE	NOTIFICATION	STATEMENT OF INTEREST	NEGOTIATION	CLOSING
Owners	*Initiates sale of eligible property*	***5 days:** Notifies tenants and relevant parties with an **Offer of Sale***	*No statement of interest period*	***60-90 days:** Provides copies of 3rd- party contracts in applicable*	***180 days:** Accepts offer and receives deposit*
First Right – County		*Evaluates value of preservation to the County*	*Issues RFP to pre-qualified developers to assign ownership*	*County matches 3rd-party contract (**ROFR**)*	*County assigns rights to chosen purchaser*
				Presiding municipality rejects County ROFR	
		No action	*Approves sale to third-party with "Agreement Not to Convert"*		
Second Right – HOC		*No action*		*HOC matches 3rd- party contract (**ROFR**)*	*HOC secures financing and closes deal*
Third Right – Tenant Org			*Tenants partner with 3rd-party and maintain 15% ownership stake*	*JV matches 3rd-party contract (**ROFR**)*	*JV secures financing and closes deal*
			Tenants form tenant organization	*TO matches 3rd-party contract (**ROFR**)*	*TO secures County/HOC financing and close deal*

Outcomes

If no transaction is closed within **365 days**, TOPA process must start over with a new Offer of Sale.

- **ROFR Sale** *Developer*
- **Market Sale**
- **Market Sale** *Affordability Covenant*
- **ROFR Sale** *HOC*
- **ROFR Sale** *JV*
- **ROFR Sale** *Tenants*

*Source: HR&A Advisors; *Exemption types: deed of trust, foreclosure, court order, co-tenants, estate sale, family sale, minority interest*

Montgomery County's public financing options increase internal capacity to negotiate for long-term affordability agreements.

Technical Assistance

The Housing Opportunities Commission (HOC) owns, manages, and finances ROFR acquisitions.

For Pre-Qualified Developers

- **The County** hosts educational workshops on the ROFR process, provides term sheets and lender contacts, and reaches out on behalf of at-risk properties
- **Attorneys** advise assigned developers on legal structures, negotiations, zoning, entitlement, and written communications

For Tenants

- **The Office of Landlord and Tenant Affairs** educate and mediate on tenants' rights.
- **The Office of Common Ownership Opportunities** provides tenants and tenant organizations training on best practices.
- **Tenant Advocates and nonprofit advisors** support tenant organizing and communications

Policies

Anti-Displacement

- **Chapter 53A Tenant Displacement** requires tenant organizations represent a minimum of 30% of tenants and can meet and confer with the landlord through representatives of their own choosing. It also requires owners pay relocation assistance equal to twice monthly rent

Affordable Production & Preservation

- **The Maryland Condominium Act** requires the developer set aside a % of units for designated households

Financing

Local Sources

- **The Affordable Housing Opportunity Fund** meets tenant and nonprofit needs for pre-development and short-term financing with public and private funding sources
- **The Housing Initiative Fund** is a locally-funded source of grants and bridge financing that serve priority populations
- **Multifamily Housing Revenue Bonds** are issued to provide for below-market rate (BMR) units to 30-120% AMI households
- **Tax-exempt Revenue Bonds** are low-interest, long-term financing issued by the HOC for need-based rental housing

Other Public Sources

- **CDBG, HOME, LIHTC, and tax-exempt bonds** are sources of federal funds.

Montgomery County tracks ROFR transaction volume and County resource allocation to evaluate program investment over time.

Despite a stated goal to increase use of the ROFR, the County has been constrained by **limited funding and high public resource demands**.

- From 2014-2019, the County acquired 8 properties and secured 14 rental agreements by exercising the ROFR.
- In 2019-20, among the 57 ROFR-impacted properties, only 1 property was purchased by the County through ROFR, 12 properties entered PILOT with 6-year mandated affordability.
- In 2020, the County jumpstarted the Housing Initiative Fund up to $28 million.
- In 2021, the County supported 23 acquisitions of 57 eligible ROFR transactions.

ROFR OUTCOMES *2019-2020*

Outcome	Properties	Units	Impact
Exercise ROFR Right	**1**	**64**	**County purchased and sold to nonprofit developer**
Issued Certificate of Compliance	34	5,703	ROFR not exercised; proceeded to market sale
PILOT Agreement	**12**	**67**	**ROFR not exercised; provided a tax reduction in exchange for 6 years of mandated affordability**
Agreement Not to Convert	4	520	Owner agreed to maintain affordability
Did Not Close	**6**	**302**	**None; cancelled sales contract**
Total	57	6,656	**953 units preserved**

Note: Certificates of Compliance acknowledge compliance with the ROFR policy when rights are not exercised. PILOT, or payment-in-lieu-of-taxes, agreements reduce owner tax burdens by the amount of subsidy provided on impacted units.

Source: Maryland DHCD

Montgomery County's ROFR has devised agreements to forego use of public resources while maintaining rental affordability.

Program Design

Successes

- Offering Payments-In-Lieu-of-Taxes (PILOTs), Rental Agreements, and Agreements Not to Convert on units at risk of losing affordability **impacts eligible transactions without impacting timelines or requiring public funding**
- The County's tiered ROFR allows for quick decision making, public purchase capacity through the HOC, and inclusion of tenant organizations
- Analyzing County allocations through a points system at the property level ensures resource efficiency

Challenges

- Non-profit developers cannot plan for ROFR involvement without a pre-qualifying commitment

Supporting Ecosystem

Successes

- The Housing Initiative Fund (HIF) has increased public capacity to deploy **short-term financing** to act on ROFR properties
- Agreements Not to Convert require third-parties to maintain 3-year **affordability** without public subsidy

Challenges

- The County does not have the financial capacity to meet their preservation goals and needs a dedicated source of short-term financing to ease pressure on the HIF
- For nonprofits to assist tenants with organization, negotiation, and partnerships, funding needs to support their operations
- **Tenants are often not informed or protected** without just-cause eviction and rent protection policies

Implementation & Impact

Successes

- By **evaluating ROFR opportunities based on transit plans** in future metro-accessible neighborhoods, the County can ensure its public resource allocations align with its priorities
- Contracting out property management and services on properties acquired by the HOC increases portfolio capacity
- Requiring relocation plans for tenants addresses and tracks displacement

Challenges

- **Tenant organizations rarely exercise the ROFR** due to low public financial capacity and advocate support
- The County has not realized the desired impact of the ROFR due to **insufficient public financing sources**
- The focus on **smaller multifamily preservation is resource intensive**.

PRIMARY GOALS

AFFORDABILITY PRESERVATION

ANTI-DISPLACEMENT

Prince George's County's Right of First Refusal (ROFR)

Prince George's County's ROFR is **aimed at affordability and housing quality preservation**—The County may assign ROFR rights to qualified purchasers meeting County goals.

20+	**ROFR**	**2013**
Housing Type	TOPA Rights	Year Established

> The Prince George's County DHCD has authority to promulgate and amend regulations to govern the right of first refusal ("ROFR") for "the County" to buy multifamily rental facilities as a means of revitalization and to preserve housing opportunities for low- to- moderate income households in the County.

\- Department of Housing and Community Development

Prince George's County's Right of First Refusal Program grants County control over the preservation and revitalization of 20+-unit multifamily rental properties.

1973

Landlord-Tenant Regulations pass, standardizing tenants' rights and remedies

2013

The **ROFR Program was created** to expand the availability of affordable rental housing in the County.

2015

The **ROFR Program was adopted** in all areas of Prince George's County

2020

Qualified purchasers (20) were selected through a solicitation process

The ROFR Program is amended to clarify rules and require documents to support County purchases

2022

The ROFR Preservation Fund is established to support ROFR transactions that include affordability

Prince George's ROFR minimizes market disruption by limiting eligible housing types to 20+ units and eligible buyers to pre-qualified non-profits.

Key Decision Points

Eligible Housing Types	• Residential buildings with **20 or more units** • Exemptions include transfers through deeds of trust, foreclosure, bankruptcy, court order, eminent domain, and to new entities and family members
Types of Rights	• **Right of First Refusal** to match an active third-party contract
Qualified Purchasers	• 20 pre-qualified developers **via Prince George's County DHCD-assigned rights**
Assignment of Rights	• The County may only assign purchase rights to **pre-qualified ROFR developers that sign "Agreements Not to Convert"**
Affordability Restrictions	• No explicit restrictions impact the rental affordability and resale price • Actual affordability restriction depends on purchaser affordability commitments and use of the ROFR Preservation Fund

By limiting eligible housing types to 20+ units and establishing criteria for ROFR transactions, the County can quickly decide whether to exercise the right.

ROFR Process

Owners

OFFER OF SALE	NOTIFICATION	STATEMENT OF INTEREST	NEGOTIATION	CLOSING
2 days: *Owner offers the ROFR to DHCD after* ***Contract of Sale***	***7 days:*** *DHCD issues RFP to developers to assign ROFR rights*	***25 days:*** *DHCD notifies owner of ROFR assignment*	***60 days:*** *Contract of Sale period open*	***Within 180 days of offer:*** *secure financing*

DHCD

DHCD issues RFP to developers, reviews responses, and **selects developer**

- DHCD declines ROFR right and notifies purchaser and owner to proceed
- DCHD waives ROFR right and **signs "Agreement not to Convert"** with third-party → Third-party submits Affordability Plan → Third-party secures financing, and closes deal

Assigned

DHCD **assigns ROFR** rights and enters **Agreement not to Convert** with assigned party

- → Fails to match third-party offer
- → Matches third-party offer, which **owner accepts** → Secures financing and closes deal

Outcomes

If no transaction is closed within **365 days**, TOPA process must start over with a new Offer of Sale.

Market Sale

ROFR Sale
Developer

Source: HR&A Advisors; *Exemption types: deed of trust, co-tenants, foreclosure, bankruptcy, liquidation, court order, eminent domain, to a GP or corporation, estate sale, family sale

Prince George's County is developing a public financing ecosystem to support its ROFR program.

Technical Assistance

For Pre-Qualified Developers

- **The County** hosts educational workshops on the ROFR process, provides standardized term sheets and lender contacts, and conducts outreach to developer partners on behalf of at-risk properties
- **The Inventory of Affordable Housing Tool** is a public, interactive map that aligns housing needs with preservation goals, disclosing ROFR-exercised properties
- **Attorneys** advise assigned developers on legal structures, negotiations, zoning, entitlement, and written communications

For Tenants

- **Tenant Advocates** support tenant organizing and communications
- **Nonprofit Advisors** support advocates with trainings and tools to build internal capacity.
- **Nonprofit Prince George's County** connects advocates to ROFR-exercised properties

Policies

- **The Comprehensive Housing Strategy** will guide housing policy decisions until 2035 based on housing need, market challenges, and the existing ecosystem. It recommends tenant rights and anti-displacement legislation

Affordable Production & Preservation

- **Tax Increment Financing (TIF)** designations increase county capacity to fund affordable housing by taxing development in target geographies
- **PILOTs**, or payments in-lieu of taxes, increase developer interest by reducing or deferring tax burdens
- **Recordation Taxes** are allocated to support the Housing Investment Trust Fund

Financing

Local Sources

- **The ROFR Preservation Fund** provides acquisition, rehabilitation, and permanent flexible, 0% interest financing to ROFR-exercised rental properties
- **The Housing Investment Trust Fund** was established in 2012 to provide gap financing to support the construction, rehabilitation, and preservation of existing moderate income and affordable housing

Other Public Sources

- **The HOME Investment Partnerships Program** provides long-term HUD financing to acquire and rehabilitate rental housing for prioritized populations

Since 2021, the County has assigned ROFR to pre-qualified developers to preserve 1,213 affordable units.

Passed in 2013, the ROFR program remained underutilized until 2021. The County received ROFR notices but did not act on them.

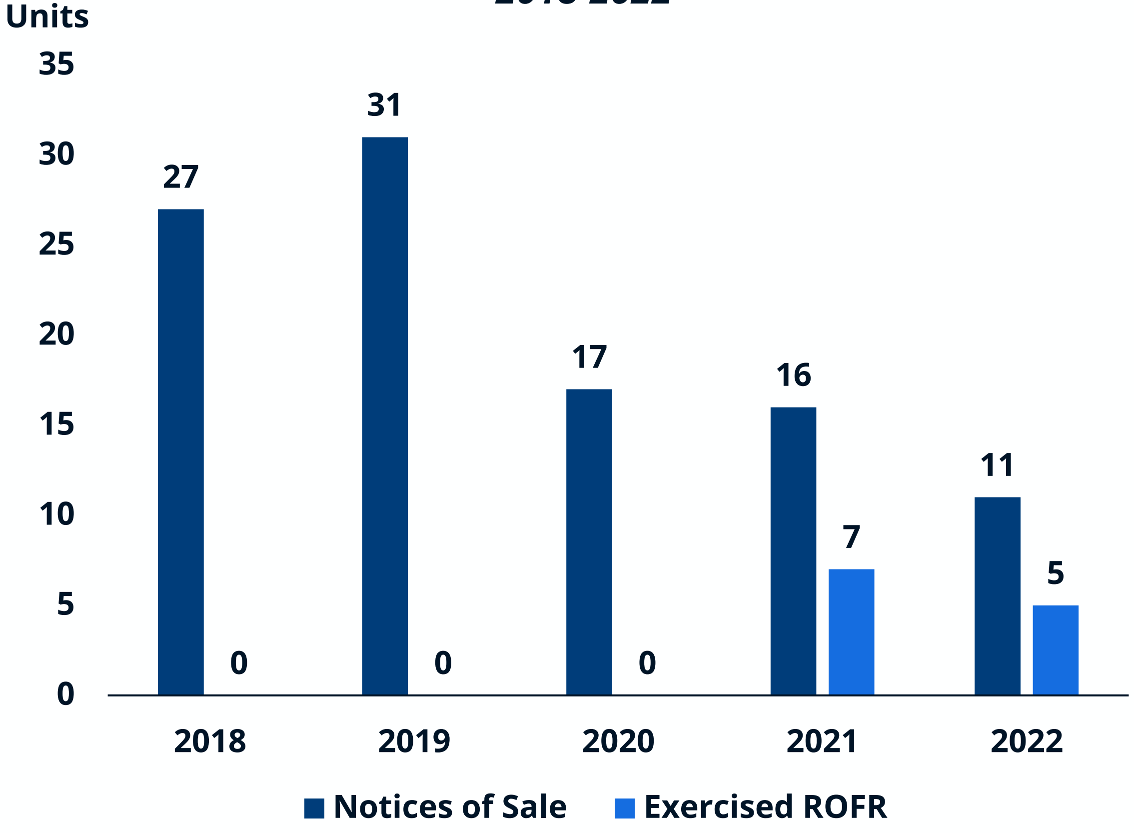
In 2019, the County increased staff capacity, allocated new funding, and began an RFQ process to prequalify developers to use ROFR more effectively. New tenant and property documentation requirements enabled program monitoring.

Since the ROFR was revamped, the County:

- Preserved the affordability of at least **1,213 multifamily units** in 12 properties by assigning or waiving ROFR rights in exchange for affordability commitments.

ROFR Notices by County Outcome

2018-2022



Source: Prince George's County 2022 ROFR Report to County Council

PRINCE GEORGE'S COUNTY'S ROFR | LESSONS LEARNED

Prince George's County uses its ROFR to preserve units with the lowest public financing needs. Its tracking practices allow for effective analysis of program impact.

Program Design

Successes

- Narrowing housing types to 20+-unit properties improves program efficiency by **reducing administrative program costs** due to lower transaction volume and per-unit public financing needs
- Administering the ROFR through the County allows for **quick, policy-aligned decisions**
- Requiring purchasers submit ROFR Notices, Certificates of Compliance, and Affordability Plans **reduces County administrative and compliance costs**

Challenges

- Pre-qualified developers are not often interested or do not have the **capacity to respond** to RFPs for ROFR rights
- Many **at-risk properties are not impacted** by the policy

Supporting Ecosystem

Successes

- The ROFR Preservation Fund **incentivizes developer participation** with **0% interest gap financing** for ROFR transactions
- Agreements Not to Convert require third-parties to maintain **short-term affordability** without public subsidy
- The County may use ROFR to **repurpose "surplus" publicly-owned properties** to generate revenue and affordable housing

Challenges

- **Tenants are often uninformed** of their rights and are not protected by tenant right or anti-displacement policies
- Tenant advocates are **not informed of ROFR Notices**, restricting their ability to conduct tenant outreach

Implementation & Impact

Successes

- Pre-qualifying developers through an open and cyclical RFQ process helps **increase capacity** as program interest grows
- The County accurately and consistently **tracks the status** of rental properties allowing for targeted financial planning
- **Transaction timelines** are not greatly impacted by the ROFR

Challenges

- **Insufficient policy protections** limit the ability to empower existing tenants and provide access to homeownership
- The County has not realized the desired impact of the ROFR due to **limited property eligibility and insufficient access to public financing**

Massachusetts MHC Right of First Refusal (ROFR)

Massachusetts' Manufactured Housing Community ROFR is **aimed at tenants' rights and homeownership**, triggered upon change in use or resident request.

PRIMARY GOALS

- TENANT RIGHTS
- INCREASE HOMEOWNERSHIP

SECONDARY GOALS

- ANTI-DISPLACEMENT

Manufactured Home Community	**ROFR**	**1986**
Housing Type	TOPA Rights	Year Established

“Before a manufactured housing community may be sold or leased for any purpose that would result in a change of use or discontinuance, the owner shall notify each resident of the community…of any bona fide offer for such a sale or lease that the owner intends to accept.”

- General Court of the Commonwealth of Massachusetts

Massachusetts protects mobile home residents through the Manufactured Housing Act and has amended regulations to leverage ecosystem supports.

1986 — **Residents are conferred the Right of First Refusal (ROFR)** to acquire a for-sale Manufactured Home Community at risk of discontinuance

1993 — **The Manufactured Housing Act is passed to protect tenants** facing the possible discontinuance MHCs

1996 — The Attorney General issued manufactured housing regulations to **standardize reasonable, fair, and conscionable rules**

2008 — Massachusetts' Board of Health **surveys all MHCs** in the Commonwealth

2010 — Resident Owned Communities USA partners with the Cooperative Development Initiative to **guide and fund resident purchases**

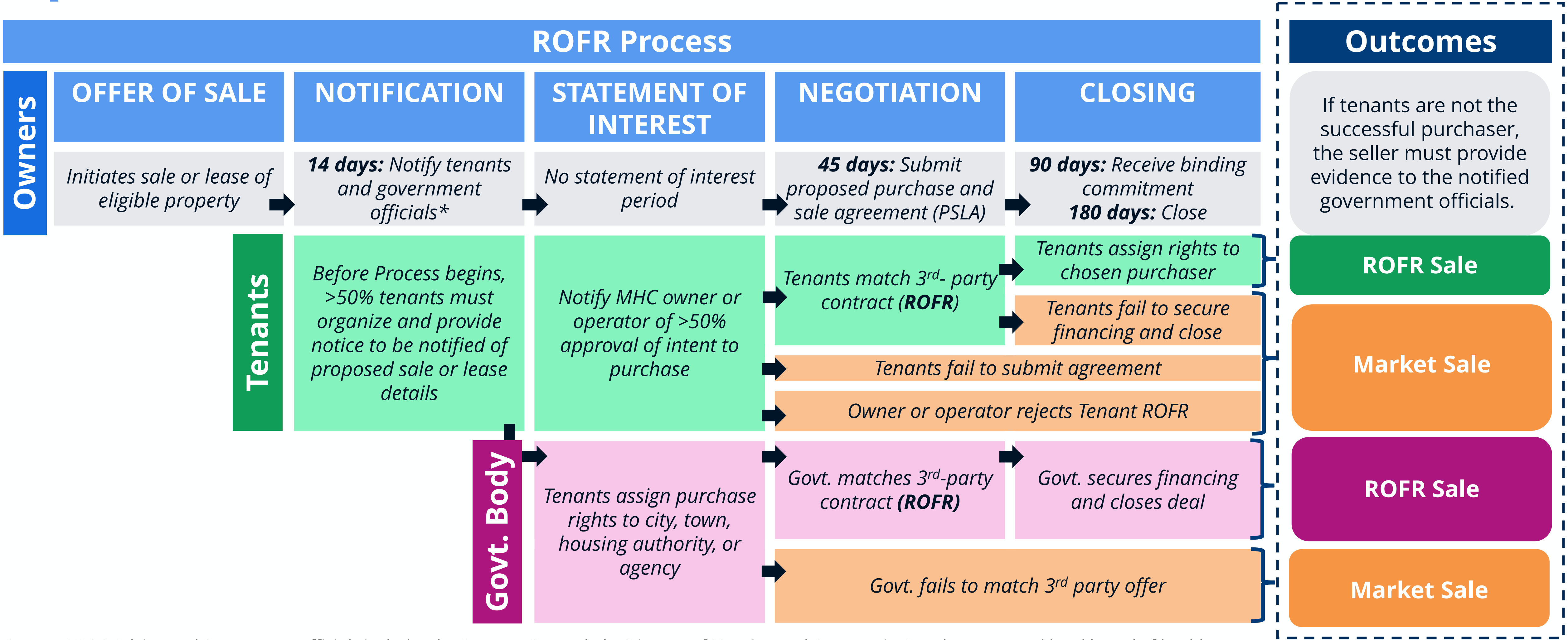
2017 — The Manufactured Housing Act includes **provisions for resident owned communities**

Massachusetts’ MHC residents can purchase or assign purchase rights to public entities only if the owner is notified of their organization and intent to purchase.

Key Decision Points

Eligible Housing Types	• **Manufactured housing community**—any piece of land with 3+ occupied mobile homes
Types of Rights	• **Right of First Refusal** with an active third-party contract **for sale or lease**
Qualified Purchasers	• Resident Associations (RAs), Homeowners’ Associations (HOAs), and groups of tenants composed of more than 50% of the park’s residents that notify of a desire to purchase
Assignment of Rights	• Resident Associations may assign purchase rights to any city, town, housing authority, or agency of the Commonwealth
Affordability Restrictions	• No explicit restrictions impact the rental affordability and resale price

Tenants and their advocates can create ROFR roadmaps providing reasonable timeframes to submit interest, receive commitments for financing, and close.



Source: HR&A Advisors; *Government officials includes the Attorney General, the Director of Housing and Community Development, and local board of health

**Exemption types: foreclosure, bankruptcy, court order, eminent domain, estate sale, family sale

Massachusetts' legal network and ROCUSA's technical assistance and financing network have built capacity for tenants to collectively purchase.

Technical Assistance

For Tenants

- **Certified Technical Assistance Providers** compile purchase and sale agreements, inform and advocate for tenants, and drive effective purchase partnerships. They also provide ongoing organization and budgeting assistance over the mortgage term
  - **The Cooperative Development Institute (CDI)** notifies tenants of purchase opportunities, helps form cooperatives, and provides technical assistance over the mortgage term
- **The Attorney General's Office** developed Model Rules for owners of MHCs
- **The Commonwealth, Mass Legal Help, and Mass Law Reform Institute** publish tenants' rights manuals and standardized claims and forms and operate a hotline.
- The Massachusetts **Manufactured Housing Association** and Manufactured **Home Federation** represent and advise residents

Policies

Tenants' Rights

- **The MA Manufactured Housing Act (MHA)** strengthens resident legal protections, aimed at MHCs at risk of discontinued use
- **The Attorney General's Regulations** define and prohibit unfair or deceptive owner acts

Anti-Displacement

- **The MA Manufactured Housing Act** requires written leases and allows for a five-year lease option to keep tenants in-place
- **The Attorney General's Regulations** protect non-shareholding cooperative residents under the MHA

Affordable Production & Preservation

- **The MA Manufactured Housing Act** requires uniform rent increases, maintenance of local rent control, notice of rent increases, and permits tenant association negotiation of increases

Financing

No dedicated source of public financing exists for tenant purchases of MHCs

Other Sources

- **The Cooperative Fund of the Northeast** provides predevelopment and acquisition loans to co-ops and nonprofits
- **National Co-op Bank** provides gap financing to purchasing cooperatives
- **ROCUSA** is a nationwide nonprofit that provides long-term senior debt to resident cooperatives and advice on legal and organization structures at no cost
- FHA, HUD, and GSE financing is typically required to facilitate MHC purchases
  - **HOME Program** grants are often attained for technical assistance at affordable communities

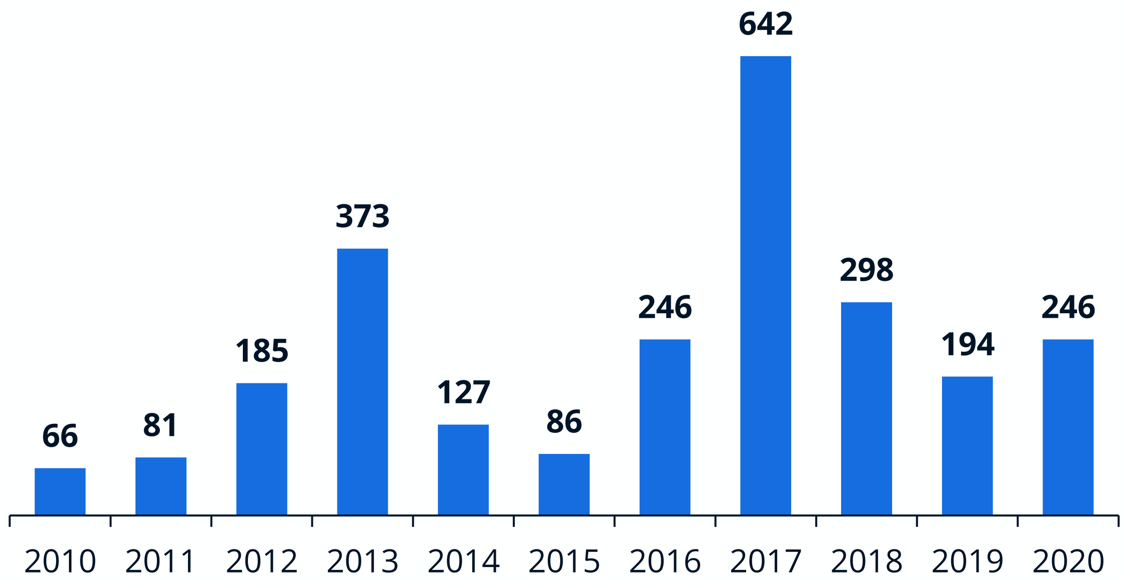
The effectiveness of Massachusetts' ROFR program is highly dependent on the support of Technical Assistance providers and funding/financing partners.

Massachusetts' ROFR policy was largely unused until 2010, when **Resident Owned Communities (ROCUSA) and the Cooperative Development Initiative (CDI)** partnered to **notify tenants of their rights** and support them through purchase and ongoing management.

From 2010-2020:

- 21 tenant cooperatives have formed to purchase their at-risk parks.
- These cooperatives represent **2,544 residents and 13 age-restricted communities**. No known uses of the ROFR have been successful without the assistance of ROCUSA and CDI.

RESIDENT PURCHASES
Units, 2010-2020



21
Tenant Cooperatives

1,626
Units acquired from 2016-2020

1,669
Age-Restricted Units

Source: ROC USA, Cooperative Development Institute (CDI), Attorney General of Massachusetts

Massachusetts' Manufactured Housing Act has tenants' rights and protections, but nonprofits drive the ROFR purchase process.

Program Design

Successes

- Allowing tenants **time to secure financial commitments** increases ability to pursue multiple financing sources
- **Providing all residents notices of intent to sell** allows for organization in advance of sales

Challenges

- Restricting the ROFR to tenants that have organized and notified of their intent to purchase **prevents unorganized tenants from exercising purchase rights**
- **Public entities are not used as assigned purchasers** due to a lack of tenant outreach and dedicated financing
- Low-income residents need dedicated property management but do not have a viable assignee for their rights

Supporting Ecosystem

Successes

- Notifying Attorney General, the Director of Housing and Community Development, and the local board of health **allows public officials to prepare for resident purchase or displacement**
- **Advocates boost tenant confidence** to pursue the ROFR and attain necessary capital to close and purchase
- Local council letters can **support resident purchase bids** and financing applications

Challenges

- Large communities come with high prices and need blended financing
- Imposition of **rent control has prompted owners to sell affordable MHCs** without tenant capacity to purchase

Implementation & Impact

Successes

- Tenants **partner with firms to reduce the financial and management burden** of ownership while preserving affordability and retaining partial control of operations
- Massachusetts' 21 resident owned communities (ROCs) benefit from **land ownership** and amendments to the Attorney General's Regulations that offer increased resident discretion over community rules

Challenges

- Residents often **do not secure financing in time** to match third-party offers
- Tenants **may not organize or be aware of their rights,** leading to failure to notify owner of desire to purchase
- **Investment firms'** increased appetites for MHCs has **increased competition**

Appendix C: Summary Notes of Stakeholder Outreach

Outreach Approach and Target Groups

- Invitations were made via group email, individual email, and follow-up phone calls to approximately 158 stakeholders groups representing tenant advocates, property owner and real estate industry representatives, and the affordable housing industry.
- Five (5) focus group meetings were conducted. These focus group meetings were approximately 1.5-2.0 hours each and presented the same general content with questions tailored to each stakeholder group:
    - Overview of L.A. County's housing strategies and policies
    - TOPA Program Overview: Components, Scenarios, and Timeline
    - Potential Policy Impacts
    - Discussion and Questions
- Through these conversations, we connected with 35 individuals representing different organizations.
- Given that there were varying levels of understanding of TOPA policies, these stakeholder engagement sessions presented an opportunity to introduce the concept through example scenarios and gather feedback on potential pros and cons of a TOPA policy and program as well as the challenges and opportunities related to different models.
- The sessions were held remotely via Zoom and recorded for accuracy.

Tenant Advocates **two sessions** **14 participants**	**Property Owner & Real Estate Industry Representatives** **two sessions** **13 participants**	**Affordable Housing Industry** **one session** **Eight (8) participants**
• Legal advocates • Tenant organizers • Advocacy organizations • Community-based organizations, including community land trusts (	• Brokers • Realtors • Property owner/apartment associations • Market-rate housing developers	• For-profit and non-profit developers • Community development financial institutions • Consultants

Tenant Advocates

Two stakeholder engagement sessions were held with tenant advocates (14 participants) including representatives from: Public Counsel, Legal Aid Foundation of Los Angeles, T.R.U.S.T. South L.A., Sandra McNeill Consulting, Strategic Actions for a Just Economy, Inner City Law Center, Inquilinos Unidos, Eastside LEADS, L.A. Tenants Union, Barrio Action, L.A. County Development Authority, Liberty Hill Foundation, and El Sereno Community Land Trust,.

Property Owner and Real Estate Industry Representatives

Two stakeholder engagement sessions were held with property owner and real estate industry representatives (13 participants) including representatives from: Apartment Owners Association of California, Inc., Greysteel, Pacific West Association of REALTORS®, Ethos Real Estate, Marina del Rey Lessees Association, Southland Regional Association of REALTORS®, Greater Los Angeles REALTORS®, West San Gabriel Valley REALTORS®, Rancho Southeast REALTORS®, South Bay Association of REALTORS®, Apartment Association of Greater Los Angeles, and California Association of REALTORS®.

Affordable Housing Industry

One stakeholder engagement session was held with affordable housing industry stakeholders (8 participants) including representatives from: Community Corporation of Santa Monica, Beverly Vermont Community Land Trust, Genesis L.A., CTY Housing, Inc., East L.A. Community Corporation, New Economics for Women, Coalition for Responsible Community Development Partners, and Fideicomiso Comunitario Tierra Libre.

Key Takeaway: Potential Impacts and Challenges

The sentiment among the majority of interviewed stakeholders about a potential TOPA policy and program is that it would be helpful in creating equitable opportunities for tenants, tenant associations, and mission-oriented buyers, particularly non-profits and community land trusts (CLTs), in the increasingly competitive L.A. County real estate market. However, some stakeholders, especially those in the real estate industry group, oppose a TOPA policy and program and are concerned with how it would affect small property owners and unnecessarily lengthen transaction timelines.

Tenant Advocates

- Tenants could greatly benefit from this policy tool if they know it is available to them and they know how to exercise their rights.
- Tenant advocates anticipate that one challenge will be making sure there is accountability that property owners are complying with the TOPA Program and notifying tenants in the prescribed manner.

Property Owner and Real Estate Industry Representatives

- Among the property owner and real estate industry group, there was little to no support for a TOPA policy with some participants voicing strong concern and opposition to the program. This group was primarily concerned that a TOPA policy and program may harm small property owners in distress; owners may need to dispose of a property quickly in the event of a situation like a divorce, death, or financial crisis. The TOPA program transaction process would be too lengthy to meet their quick sale timelines in these scenarios and reduce property value.
- Most stakeholder groups were concerned about the length of time it would take to close on a TOPA transaction.
    - One real estate industry representative reported that non-TOPA program transactions for 1-4-unit buildings could take 30-45 days and 5+ unit ones can take longer depending on financing. If tenants have an entire year to close similar to the D.C. program, there are concerns that a building's value and interest rates can easily change during that time.

- Some real estate industry representatives felt that forcing a property owner to wait for a tenant offer would deflate their property value and eliminate competition.
- This group was also concerned that a TOPA program would put homeownership into the hands of other entities instead of tenants.

Affordable Housing Industry Representatives

- Affordable housing industry representatives are supportive of a TOPA policy and program and noted that pairing a policy with adequate resources and support for acquisition is critical. They generally saw the TOPA program as an opportunity for mission-oriented developers to preserve affordable housing with some participants expressing strong support for qualified purchasers with proven track records in preservation.
- Affordable housing representatives are concerned that the requirements associated with public subsidies (e.g., ADA compliance, prevailing wages, consultants.) would increase project costs and lengthen the project timeline. This should be a consideration if the TOPA program is coupled with a public subsidy source.
- This group also asked that the County's TOPA policy consider the implications of the tenant composition of a building on potential tenant ownership:
  - If there are higher-income tenants, buildings cannot get the welfare tax exemption, and, as such, should be grandfathered in to avoid displacement.
  - Would undocumented tenants be able to participate in a tenant association acquisition?

Key Takeaway: TOPA Program Priorities

We presented focus group participants with a list of potential TOPA policy priorities and objectives that included: tenant rights, anti-displacement, affordability preservation, and increasing homeownership.

Tenant Rights	Anti-Displacement	Affordability Preservation	Increase Homeownership
• Tenant Protection • Protection from displacement • Insulate tenants from speculative investment • Right to have a voice in deciding what happens to their housing	• Prevent tenant displacement • Rent stabilization	• Increase the stock of permanent affordable housing	• Create homeownership opportunities for low-income renters • Wealth generation

After discussion, participants were then asked to rank and express which of these is most important to them:

Tenant Advocates	Affordable Housing Industry	Property Owner and Real Estate Industry*

• Anti-displacement • Affordability preservation	• Anti-displacement • Affordability preservation	• Increased homeownership • Other: property rights and transactional issues
*NOTE: Though not supportive of a TOPA policy and program, we asked this group to express their priorities in the event of a policy moving forward.		

Tenant Advocates

- Among tenant advocates, affordability preservation and displacement prevention are seen as the primary goals of a TOPA policy and program, as they are seen as a way to stabilize rental properties.
- Many participants expressed that TOPA program-acquired properties should be accompanied by affordability covenants or deed restrictions, especially if they receive a public subsidy. However, some participants noted that affordability covenants or deed restrictions may discourage some tenants from participating in a TOPA program if the deed restrictions are too limiting.
- Empowering and protecting tenants is also a key priority for tenant advocates. Their concern is that a policy with assignment rights would put tenants at risk of fraud or loss of benefits.
    - Advocates identified existing capacity to support tenant purchase in the last trust network but also identified a need for funding for tenant outreach and education to ensure a support network across the County (i.e., 5th District).
- Some tenant advocates did not like the framing of "right to assign" as a tenant right. They were adamant that restrictions needed to be placed on this right to avoid a power imbalance between tenants and the landlords who might just offer them cash to leave their units.
    - Advocates cite the widespread fraud heavily marketed to homeowners and tenants in South Los Angeles as a cause for concern that bad actors would step into this space.
    - Some advocates expressed the importance of having qualified buyers, including affordable housing developers and the County, in addition to tenants and tenant associations so that tenants would have support and would not have to directly purchase themselves on every TOPA program transaction.
- Tenant advocates thought that thorough research should be conducted around how a TOPA policy and program fits into the landscape of existing tenant protections, so that there is no incentive to get around the policy by evicting tenants en masse.

Property Owner and Real Estate Industry Representatives

- Property owners and realtors saw homeownership as one of the most important priorities, but expressed opposition to a TOPA policy and program because they think there are better ways to increase homeownership among low-income tenants.
- Realtors made a comment about nothing preventing tenants or tenant associations from purchasing their properties right now, so they do not see tenant rights as a top priority.
- With regard to affordability preservation, this group expressed that a TOPA policy and program would take affordable rental units off the market, which seems counter to the goal of preservation. Additionally, they commented that deed restrictions are not pro-tenant because not all tenants are necessarily low-income.

Affordable Housing Industry Representatives

- Among affordable housing industry participants, affordability preservation is also seen as the primary goal of a TOPA policy and program.
    - These groups expressed interest in a process whereby groups with a demonstrated track record of affordable housing preservation could become qualified purchasers.
- The affordable housing industry group sees a TOPA policy and program as an important tool to prevent immediate displacement of tenants.
    - Once acquired by an affordable housing organization, if interested, tenants of the building can work toward a limited equity housing cooperative or other shared ownership model in a more stable environment.
- Some participants felt that a TOPA policy and program gives tenants an opportunity to purchase where they might not have had it otherwise. In this sense, the goal of the program is not necessary to scale, but to provide an opportunity that would not exist typically.
- CLTs find that in buildings they acquire, tenants have a long-term interest in ownership and equity building.

Key Takeaway: Assignment of Rights and Qualified Buyers (QB)

Tenant Advocates

- Tenant advocates were generally opposed to a right to assign with no restrictions. They are concerned that tenants would be manipulated by property owners, speculators, or investors.
- Tenant advocates did not like the framing of "right to assign" as a tenant right. They were adamant that restrictions needed to be placed on this right to avoid a power imbalance between tenants and the property owners who might just offer tenants cash to leave their units.
    - Specifically, they are worried that these actors would skirt the law by creating a "cash for keys" scenario where they pay tenants to avoid a TOPA program transaction, which requires a higher level of County staff to monitor implementation.
    - Advocates cite the widespread fraud heavily marketed to homeowners and tenants in South Los Angeles as a cause for concern that bad actors would step into this space.
- Some advocates also expressed that it is important to have qualified buyers, in addition to tenants and tenant organizations, so that tenants do not have to negotiate by themselves on every TOPA program transaction.
    - Qualified buyers included tenants and tenant organizations and pre-qualified, mission-oriented organizations (non-profits and for-profits), such as community development organizations, affordable housing developers, or CLTs.
    - One participant also suggested that the County be considered a qualified buyer.
- One proposed solution was to allow tenant and tenant associations to collaborate with qualified buyers (mission-oriented organizations) on a joint purchase.
- Tenant advocates expressed that should an assignment right be included in a TOPA policy and program, that qualified buyers be vetted by the County and should be required to ensure affordability and protect existing tenants.

Property Owner and Real Estate Industry Representatives

- Property owners and realtors expressed a similar concern about the right to assign. They fear a TOPA policy and program may create a scenario where tenants will take a buyout regardless of who the purchaser is, which is redundant of the existing relocation benefits tenants receive.

- One person in this group felt strongly that the right to purchase should be limited to tenants. There should be no alternative qualified buyers.

Affordable Housing Industry Representatives

- Affordable housing partners were generally in favor of letting tenants assign their rights to qualified buyers. They felt that the County should establish a process for qualifying organizations to avoid bad actors and require a covenant to protect affordability.
- Qualified buyers were generally defined as "mission-oriented" non-profit and for-profit entities, such as developers or CLTs, who can help tenants preserve their housing.
    - These buyers should be vetted by the County.
    - A partnership with this type of organization would get tenant associations more traction for financing in the short-term.

Key Takeaway: TOPA Ecosystem

Participants were asked what is missing from the policy ecosystem in L.A. County that could support a potential TOPA policy and program.

Tenant Advocates

- Tenant advocates who attended our focus groups reported that while the CLTs in Los Angeles are organized, they need more resources as tenants begin to express more interest in community ownership.
- Advocates stressed the importance of tenant outreach and education to ensure that tenants are aware of their rights and have the support to exercise them.
- Tenants need technical assistance and education on how to form tenant associations.
- Tenants and tenant associations will also need access to acquisition and long-term financing products, which are products not readily available on the market.
- Advocates noted that there are areas of the county that do not currently have organizations providing tenant advocacy or organizing (5th district).
- There will be a race against time to prepare the ecosystem to ensure that tenants can use a TOPA program.

Property Owner and Real Estate Industry Representatives

- The realtors of the group brought up that there is not a strong ecosystem in L.A. County for homeownership.
- In addition to inaccessible home prices, there is a lack of financial support for first-time homeowners. They felt that the goals of a TOPA policy and program could be met by just offering more first-time homebuyer support.

Affordable Housing Industry Representatives

- A common thread brought up by tenant advocates and affordable housing providers is that there is a lack of access to capital for community or shared ownership models.
    - For example, there are few lenders that work with housing cooperatives or limited equity housing cooperatives.

    - This would force tenants to work with qualified buyers, such as non-profit developers or CLTs, to acquire the building without giving individual tenants or tenant associations the opportunity for ownership of their unit/building.
    - One suggestion is that local community development financial institutions create products for these types of transactions and provide clear underwriting requirements to avoid the need for public subsidies that might increase TOPA program acquisition scope or costs.
- The County will need to match financing with capacity building programs to prepare tenants and tenant associations to be building owners.

Key Takeaway: Resources

We asked participants to tell us about the types of resources that would be helpful to get each stakeholder group to comply with or participate in a TOPA policy and program.

Tenant Advocates

- Tenant advocates and affordable housing industry partners expressed that the County would need to provide financial resources to help with TOPA program acquisitions.
- Additionally, there were requests for funding for tenant education and technical assistance to prepare tenants and CLTs for implementation.
    - One participant made a point to say that these resources would have to be distributed equitably amongst Supervisorial Districts.
- Some tenant advocates expressed that they are open to tax incentives being given to property owners who participate in the TOPA program with some restrictions, such as giving them a discount on transfer or property taxes.
- Finally, tenant advocates emphasized that a TOPA program needs to come with sufficient resources to manage enforcement and ensure that tenants are not deprived of their rights through this policy.

Property Owner and Real Estate Industry Representatives

- Though not supportive of a TOPA policy and program, property owners and realtors named two incentives that would be important to sellers if this policy were to move forward:
    - Property tax abatement
    - Lower transfer taxes
- Speedy acquisition financing would also be helpful to get sellers to cooperate, as that would shorten the transaction timeline.

Affordable Housing Industry Representatives

- Affordable housing industry partners expressed that the County would need to provide financial resources to help with TOPA program acquisitions. These resources would include acquisition loans, rehab/construction loans, permanent debt, and other subsidies to stabilize buildings with low rents.
    - Participants in the affordable housing focus group named the L.A. County CLT Pilot Program as a model for what can be accomplished with public funding.

Key Takeaway: Ownership Models

At the first meeting with tenant advocates, participants were presented with different TOPA program acquisition scenarios to gauge their policy priorities and thoughts on eligible buyers. These scenarios included a limited equity housing cooperative (LEHC), a shared equity housing model, and a tenant association assigning their purchase rights to a third party.

Tenant Advocates

- This group was generally supportive of LEHCs. They appreciate that this model helps tenants achieve control and independence, while allowing for some form of ownership in a high-cost market.
  - Several of the CLT representatives talked about this model being of interest to the tenants in the buildings they work with. However, they acknowledge that it takes a significant amount of capacity building to get tenants to the point where they can run their own building.
  - One challenge with this model is that many lenders are unfamiliar with it, making these types of projects difficult to finance.
  - One of the legal advocates suggested that L.A. County use a more informal definition for LEHCs because the definition in California law is too restrictive.
- On the shared equity model, advocates felt that affordability preservation should be a key aspect of it. That is, the unit sale price should correspond with the Area Median Income range of the original buyer.
  - The challenge presented by this model is that there are many methods for calculating resale value in the event an existing tenant wants to sell their unit. Advocates felt that there should be a restriction on the "windfall" a seller can make on their unit because this type of model should not incentivize speculation.

	Eligible Properties	Not Eligible	Other
Tenant Advocates	• All rental properties with a focus on non-deed restricted properties • Policy should address mixed-use properties as well • Some members suggested focusing on buildings with 2-20 units, which are often affordable and at risk		
Property Owner and Real Estate Industry	• Buildings with 20+ units should be the target because they are concerned about mom-and-	• Single-family homes; buildings under 3 because of the potential impact to small property owners; buildings	• Participants in this group had questions about how publicly-owned properties and ground leased properties would be

	pop owners of smaller buildings • For some participants, multifamily rental properties with 3-20 units should be the target. Anything smaller would be administratively burdensome for small property owners	with 100+ units due to cost • Targeting Naturally Occurring Affordable Housing would unfairly single-out mom-and-pop owners	treated by a TOPA program.
Affordable Housing Industry	• All rental properties	• Policy should clarify exclusion of owner-occupied single-family homes	