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FESIA A. DAVENPORT
Chief Executive Officer

February 22, 2021

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Fesia A. Davenport
Chief Executive Officer

CREATING OPPORTUNITIES FOR BUILDING EQUITY: DEVELOPING A PILOT COMMUNITY LAND TRUST PARTNERSHIP PROGRAM (ITEM NO. 57-B, AGENDA OF SEPTEMBER 29, 2020 AND ITEM NO 2-D, AGENDA OF NOVEMBER 10, 2020)

On September 29, 2020, the Board of Supervisors (Board) adopted a motion introduced by Supervisor Solis, directing the Chief Executive Officer, in collaboration with the Treasurer and Tax Collector (TTC), Los Angeles County Development Authority (LACDA), and County Counsel to: 1) develop a process to help secure tax-defaulted properties through Chapter 8 Agreement Sales for Community Land Trusts (CLTs) to create long-term affordable housing; 2) develop a Pilot Community Land Trust Partnership Program (Pilot Program) for the First Supervisorial District and other interested Districts, and solicit partnerships with CLTs and nonprofits to utilize the process; and 3) identify and designate funding for the Pilot Program, including the Affordable Housing Programs Budget.

On November 10, 2020, the Board adopted a motion introduced by Supervisors Solis and Kuehl, to expand the Pilot Program beyond Chapter 8 properties. The November motion allocates up to $14 million from the Affordable Housing Programs Budget to acquire and rehabilitate non-Chapter 8 properties, with the intention of acquiring one in each Supervisorial District. On January 5, 2021, the Board authorized LACDA to act as the agent of the County of Los Angeles (County) for the Pilot Program.

In response to the Board directives, the Chief Executive Office (CEO) convened a Working Group consisting of CEO, TTC, LACDA, and County Counsel. This report outlines the Working Group's progress to date, its proposed processes for Chapter 8 and non-Chapter 8 properties for the Pilot Program, and timelines for implementation.

BACKGROUND

The novel coronavirus (COVID-19) has created a worldwide health pandemic and an unprecedented economic crisis. This crisis has intensified the housing-cost burden for many, especially for renter households at 50 percent Area Median Income (AMI) or below. Even prior to the pandemic, 64 percent of renter households at this income level paid more than 50 percent of their household income on rent.[1] As a result, severely-cost burdened households are vulnerable to displacement and an increased risk of homelessness. A recent COVID-19 survey finds 41 percent of all renters in California have "no confidence" or "slight confidence" they can pay their rent the following month or have a deferred payment, with Latino and Black renters more likely than White or Asian renters to indicate such concerns.[2] Further, research shows Los Angeles renters are more likely than homeowners to have lost work/income during the pandemic. Moreover, households that lost work or income are 2.5 to 4.5 times more likely to struggle paying rent than households whose work status or income level remained the same.[3]

To date, the Board has adopted an eviction moratorium, established rental assistance and eviction and foreclosure prevention programs, and helped purchase hotels/motels through Project Homekey to provide homes for County residents experiencing homelessness. These Board actions preserve homes for vulnerable populations and essential workers by providing more resources for community-based organizations and tenants to purchase property in their neighborhoods. As described in the CEO report from August 17, 2020, *Prioritizing Affordable Housing in Areas with Displacement Risk*, the CLT model is an important strategy to prevent housing displacement in communities by providing opportunities for community stewardship. CLTs are nonprofit, community-based organizations that provide affordable housing through various strategies, including opportunities for residents to manage and/or own their homes. CLTs are partnering with affordable housing nonprofits with experience in construction and rehabilitation to rehabilitate these properties and ensure housing quality and stability. Further, the CLT model guarantees the land will remain under CLT stewardship in perpetuity, ensuring the homes are permanently affordable.

Chapter 8 Properties

The Board directed the Working Group to identify Chapter 8 or tax-defaulted properties for the Pilot Program. For the Chapter 8 Pilot Program, the Board identified $7.2 million transferred to the Affordable Housing Programs Budget on August 4, 2020, resulting from unclaimed funds collected by TTC. State Revenue and Taxation Code Chapter 8 of Part 6 of Division 1 (Chapter 8), beginning with Section 3791, allows public agencies, taxing agencies,

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[1] California Housing Partnership. *2020 County of Los Angeles Affordable Housing Outcomes Report.* Prepared for the County of Los Angeles Chief Executive Office. June 2020.
[2] California Housing Partnership. *COVID-19 Housing Fragility Findings by Race/Ethnicity.* August 2020.
[3] University of California Los Angeles (UCLA) and University of Southern California (USC), *COVID-19 and Renter Distress: Evidence from Los Angeles.* August 2020.

and nonprofits (Eligible Entities) to enter into a "Chapter 8" agreement for the purchase of tax-defaulted property by either objecting to the sale of properties scheduled for an auction, or requesting to purchase unsold properties from prior auctions, for certain specified uses. Chapter 8 agreements must be approved by the Board at the recommendation of the TTC, and subsequently by the State Controller's Office. In 2006, the Board approved an agreement between TTC and LACDA, formerly known as the Community Development Commission, to ensure that only qualified nonprofit organizations could participate in the Chapter 8 program, and that the sale or rental of the completed projects would only be for low-income individuals. On October 31, 2017, the Board directed TTC and LACDA to update the Chapter 8 Affordable Housing Development Program Memorandum of Understanding (MOU) to increase the Chapter 8 program utilization and create more affordable housing. TTC and LACDA modified the MOU, then launched a web portal and completed fee studies to update the necessary processing fees to recover programs costs.

PROPOSED PILOT PROGRAM PROCESS, TIMELINE, AND NEXT STEPS

The attached report presents the Working Group's recommended process and related timeline to implement the Pilot Program for Chapter 8 properties. By April 30, 2021, the CEO will submit a Chapter 8 Application to TTC for selected properties and, upon Board approval, TTC will then submit the Chapter 8 Application to the State Controller's Office to initiate the Chapter 8 sales process. The sale may take up to twelve (12) months to be finalized.

Further, in response to the Board's directives, this report outlines a process and timeline for expansion of the Pilot Program by acquiring non-Chapter 8 properties. The CLTs and Working Group will continue to hold discussions with all Board offices, with the goal of selecting non-Chapter 8 properties in each Supervisorial District for the extended Pilot Program by June 30, 2021. For non-Chapter 8 properties, County Counsel is drafting the necessary funding, grant and monitoring agreements to designate funding to the CLTs to acquire the properties and preserve affordable housing in perpetuity that will be recorded against the property.

Should you have any questions concerning this matter, please contact me or Allison E. Clark, Senior Manager, at (213) 974-8355 or allison.clark@ceo.lacounty.gov.

FAD:JMN:AEC
JO:VD:yy

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Los Angeles County Development Authority
Treasurer and Tax Collector

Attachment I

COUNTY OF LOS ANGELES

Creating Opportunities for Building Equity: Developing a Pilot Community Land Trust Partnership Program

FEBRUARY 2021

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Community Land Trusts (CLTs) are nonprofit, community-based organizations which steward land in perpetuity to maintain community-benefiting uses and long-term affordability. Through a shared equity model, CLTs preserve affordable housing and expand homeownership opportunities by providing lower-income households with the opportunity to manage and own their housing.

I. EXECUTIVE SUMMARY

On September 29, 2020, the Board of Supervisors (Board) directed the Chief Executive Office (CEO), in collaboration with the Treasurer and Tax Collector (TTC), Los Angeles County Development Authority (LACDA), and County Counsel (Working Group) to establish a pilot program to help secure tax-defaulted properties through Chapter 8 Agreement Sales for Community Land Trusts (CLTs) to create long-term affordable housing (Pilot Program). On November 10, 2020, the Board expanded the Pilot Program beyond Chapter 8 properties. On January 5, 2021, the Board authorized LACDA to act as the agent of the County of Los Angeles (County) for the Pilot Program.

Background

The economic crisis resulting from the novel coronavirus (COVID-19) pandemic has caused households to face increasing housing cost burden. With declining rental income, smaller multi-family property owners are struggling to cover mortgage payments and are at risk of mortgage default. When the State of California (State) enters a recovery stage, these defaulted properties may go to market, and corporations and real estate firms are often the highest bidders. If such entities buy most multi-family and single-family rental properties that are for sale, these properties would not necessarily remain affordable for residents across communities throughout the County, especially in areas already at risk for displacement. This could result in a net loss of naturally occurring affordable housing for years to come, depending on the length of the COVID-19 recovery period.

Pilot CLT Partnership Program Process

One strategy to address displacement is for the County to partner with mission-driven entities, such as CLTs, to acquire properties in areas with displacement risk while providing community members with homeownership opportunities. This report presents the Working Group's recommended process and related timeline to implement the Pilot Program for both Chapter 8 and non-Chapter 8 properties. By identifying selection criteria, including areas with displacement risk, the Working Group identified four Chapter 8 properties in the First Supervisorial District for the Pilot Program. Upon Board approval, TTC will submit the Chapter 8 Agreements to the State Controller's Office for final approval to initiate the Chapter 8 sales process, which can take up to 12 months to be finalized. The report also includes an expanded Pilot Program to partner with CLTs to acquire five non-Chapter 8 properties.

Next Steps

The Working Group continues to hold discussions with each of the five Board offices to select non-Chapter 8 properties for the expanded Pilot Program, and County Counsel is drafting agreements to designate funding to the CLTs to acquire the properties and preserve affordable housing in perpetuity that will be recorded against the property. As instructed by the Board in November 2020, the CEO will track implementation of the Pilot Program and report back on progress 90 days after the grant agreement(s) are executed with the CLTs. The progress report will also include an update on the status of the requested Chapter 8 properties.

II. BOARD DIRECTIVES

On September 29, 2020, the Board directed the CEO and LACDA to identify and designate funding for the Pilot Program, including funds from the $7.2 million transferred to the Affordable Housing Trust Fund on August 4, 2020, resulting from unclaimed funds collected by TTC.

As included in the September motion, Figure 1 summarizes considerations for establishing the Pilot Program's process to develop: 1) agreement terms to convey the properties from the County to the CLT; 2) capacity of the CLTs; and 3) a plan to engage existing owners and/or occupants of the properties.

Figure 1: Pilot Program Process Considerations

Category	Consideration
Agreement Terms	1. For Chapter 8 properties, the characteristic, residential or commercial and physical condition of the property deemed substandard, which informs whether it is more appropriate for the nonprofit to acquire the property directly or if the County should act as an intermediary owner* prior to conveying the property to a CLT. 2. Identifying and providing funding to convey properties to CLTs at low or no cost. 3. Conditions to attach to all funding provided through the process, including terms related to affordability duration and targeted household incomes.
Community Land Trust (CLT) Capacity	4. Criteria that ensures all CLTs acquiring land through this process have the financial and operational capacity to own and maintain the proposed improvements. 5. Partner with community development corporations (CDCs), as needed and/or when necessary to achieve program objectives. 6. Review of the CLT's, and/or CLT and partner CDC's, track record of property management and tenant relationships. 7. Collaborating with cities to waive or forgive liens or assessments on a property being acquired by the County and to be conveyed to a CLT.
Engaging Owners/ Occupants	8. Working with the original property owners/occupants to allow them to stay in their homes when possible.

*To enter into a Chapter 8 agreement to purchase tax-defaulted property, nonprofit organizations may purchase only substandard properties, if purchasing residential property. The Pilot Program would allow the County to submit the Chapter 8 application and potentially be the intermediary owner. Once a Chapter 8 sale is final, the County would immediately convey the property to the nonprofit/CLT.

On November 10, 2020, the Board expanded the Pilot Program for non-Chapter 8 properties and allocated up to $14 million of one-time funding from the Affordable Housing Programs Budget for the Pilot Program. The Pilot Program will provide funding to the LA CLT Coalition, which is a network that currently includes five CLTs operating throughout the County region and collectively serving all five Supervisorial Districts. The funding will be available for CLTs in the LA CLT Coalition with the intent to acquire and rehabilitate at least one non-Chapter 8 property in each Supervisorial District and maintain them as long-term affordable housing in perpetuity. County funds from the Affordable Housing Programs Budget will be provided subject to completing due diligence that confirms financial feasibility of acquisition for the units to be covenanted at 30-80 percent of Area Median Income (AMI), with priority for deeper affordability at 60 percent AMI or below.

III. BACKGROUND

The COVID-19 pandemic has intensified the County's housing crisis, creating even more housing insecurity and economic instability. Prior to the pandemic, more than 700,000 households were severely rent-burdened, paying more than 50 percent of their income on rent. The recent economic shutdowns have had significant impacts on jobs and renters' ability to pay for housing, especially in low-income communities of color. A recent California Housing Partnership COVID-19 Housing Fragility Survey, finds 41 percent of all renters in California have "no confidence" or "slight confidence" they can pay their rent the following month or have a deferred payment, with Latino and Black renters more likely indicating such concerns than White and Asian renters.[4]

Further, a University of California, Los Angeles (UCLA) and University of Southern California (USC) COVID-19 Survey finds that County renters are more likely than homeowners to have lost work/income during the pandemic. Moreover, households that lost work or income are 2.5 to 4.5 times more likely to struggle paying rent than households whose work status or income level remained the same.[5] Despite the County establishing a robust eviction moratorium and both the State of California (State) and Federal governments passing their own residential eviction moratoriums, evictions are still anticipated once the moratoriums are lifted.

As directed by the Board on January 14, 2020, the CEO and relevant departments provided recommendations for anti-displacement strategies in August 2020. One such strategy is the CLT model, as partnerships between the County and CLTs can create long-term housing opportunities for low-income households. While CLT structures can vary, a CLT is typically a nonprofit organization that develops, manages, and/or preserves affordable housing for a community. CLTs typically maintain permanent ownership of land and issue long-term leases or sell to low-income households with restrictions on the resale prices of properties. In November 2019, the CEO issued a report that recommended acquisition of land as being an essential factor in successful CLT frameworks. One option for making land available is through the TTC Chapter 8 Agreement Sale program, which offers tax-defaulted property for purchase by qualified nonprofit organizations and government agencies. Land offered through this

[4] California Housing Partnership. *COVID-19 Housing Fragility Findings by Race/Ethnicity*. August 2020.
[5] University of California Los Angeles (UCLA) and University of Southern California (USC), *COVID-19 and Renter Distress: Evidence from Los Angeles.* August 2020.

program can be secured at prices lower than their market value before they are offered at competitive public auctions, which oftentimes include speculative developers.

The California Housing Partnership's 2020 Los Angeles County Affordable Housing Outcomes Report found that 11 percent of the more than 4,000 affordable family homes in the County that are at risk of conversion to market rate are located in areas identified by the State as "High Resource" or "Highest Resource." The report indicates "these affordable homes would be particularly difficult and costly to replace, and losing them would worsen access to opportunity-rich neighborhoods for low-income families in the County."[6] On January 14, 2020, the Board directed the CEO and relevant departments to establish a funding priority for high resource areas at risk of displacement for the County's Affordable Housing Acquisition Fund, which is administered by the CEO and is a component of the Affordable Housing Programs Budget. For Fiscal Year (FY) 2020-21, CEO allocated $17.2 million to the Affordable Housing Acquisition Fund, fully funded with Net County Cost, as directed by the Board on November 5, 2019, which includes carryover funding from FY 2019-20.

Using the Chapter 8 Sale Process to Create Affordable Housing and Open Space

Under State law, residential property that has been in tax default status for at least five years becomes Subject to the Tax Collector's Power to Sell (STPTS). The County Tax Collector may offer the property for sale at public auction, a sealed bid sale, or a negotiated sale to a public agency or qualified nonprofit organization. The Tax Collector establishes a minimum bid amount for each property, which is the sum of all defaulted taxes, penalties, and costs of the auction. This minimum bid is often less than the current market value of the property. Public auctions are the most common way of selling tax-defaulted property, and the property is sold to the highest bidder.

Revenue and Taxation Code, Chapter 8 of Part 6 of Division 1 (Chapter 8), beginning with Section 3791, allows public agencies, taxing agencies, and nonprofits (Eligible Entities) to enter into a "Chapter 8" agreement for the purchase of tax defaulted property by either objecting to the sale of properties scheduled for an auction, or requesting to purchase previously offered, but unsold properties for a public use. Following recommendation of the Tax Collector, Chapter 8 agreements must be approved by the Board and then the State Controller's Office. Typically, the sales price of a property at auction is at or close to the market value. Therefore, Chapter 8 allows an Eligible Entity to purchase the property for an amount less than expected at the public auction. This reduction in the sales price of the parcel is offset by the Eligible Entity's use of the property for a public purpose.

In 2006, the Board approved an agreement between TTC and LACDA, formerly known as the Community Development Commission, to ensure that only qualified nonprofit organizations could participate in the Chapter 8 program and that the sale or rental of the completed projects would only be available for low income households. TTC and LACDA entered into an MOU agreement whereby LACDA would determine a nonprofit's capacity and the feasibility of its low-income housing proposal, and review, approve, and monitor residential projects. In

[6] California Housing Partnership. *2020 County of Los Angeles Affordable Housing Outcomes Report.* Prepared for the County of Los Angeles Chief Executive Office. June 2020.

addition, under the MOU, the County ensures only qualified nonprofits participate in the Chapter 8 program and restricts the sale of completed or rented properties to low-income individuals. LACDA monitors for continued compliance with the terms of the purchase agreement.

On October 31, 2017, the Board directed TTC and LACDA to update the Chapter 8 Affordable Housing Development Program Memorandum of Understanding (MOU). Afterwards, TTC and LACDA worked to increase program utilization and creation of affordable housing by modifying the MOU, launching a web portal, and completing fee studies to update the necessary processing fees to recover programs costs.

IV. DEVELOPING A PROCESS FOR THE PILOT PROGRAM

Beginning on October 4, 2020, CEO convened a Working Group consisting of TTC, LACDA, and County Counsel. This section describes the Working Group's property selection criteria and analysis of Chapter 8 properties, as well as its recommended processes for piloting property acquisition of Chapter 8 and non-Chapter 8 properties with CLTs.

The five existing CLTs in the County are: 1) El Sereno CLT; 2) Fideicomiso Comunitario Tierra Libre; 3) Liberty CLT; 4) Beverly Vermont CLT; and 5) T.R.U.S.T. South LA (Figure 2). The LA CLT Coalition is expanding to include emergent CLTs from throughout the County. As the Board recommends, the LA CLT Coalition has established partnerships with other nonprofits, including community development corporations, to leverage their real estate expertise and ensure sufficient capacity to deliver projects.

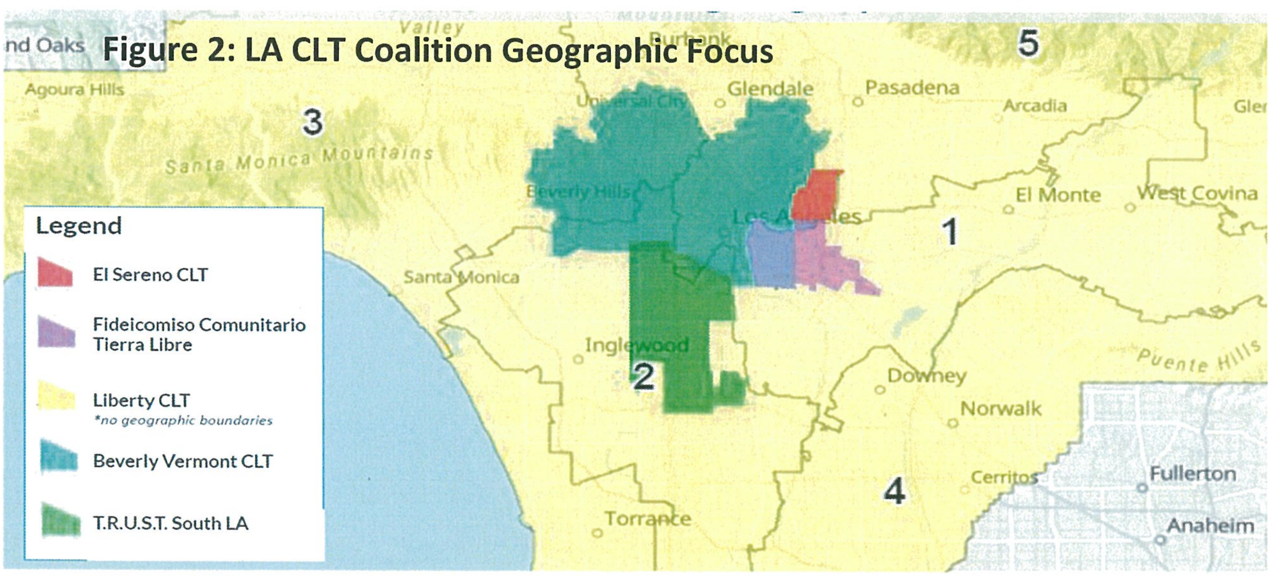

Figure 2: LA CLT Coalition Geographic Focus

4.1 – Establishing Property Selection Criteria for Chapter 8 and Non-Chapter 8 Properties

Key criteria developed by the Working Group to select properties is depicted in Figure 3. As indicated, some of the criteria outlined would not necessarily be applicable to Chapter 8 properties, and TTC also assessed the likelihood of Chapter 8 properties being redeemed (i.e., brought out of tax-defaulted status by the owner) as a consideration for selection.

For the non-Chapter 8 properties, the Working Group consulted with the CLTs and their partners to establish criteria to prioritize properties, including: small or medium multifamily properties (4-20 units), unit purchase price ranging from $150,000 to $350,000, and estimated rehabilitation costs near $50,000 per unit. Additionally, the Working Group decided to prioritize properties near transit, areas with displacement risk or properties in high opportunity areas facing displacement pressures, and State-designated higher resource areas. Based upon these criteria, the LA CLT Coalition intends to work with the departments and Board offices to identify one non-Chapter 8 property in each Supervisorial District that they would like to acquire in order to preserve affordable housing for households at 30-80 percent of AMI, with priority for deeper affordability at 60 percent of AMI or below. Additional criteria include organized tenants interested in ownership and/or at risk of being displaced. Any existing tenant above target AMI levels will be exempt and allowed to remain in the building in order to meet the mission of not displacing tenants. However, at the first turnover of the units, the incoming households will comply with the target AMIs. The CLTs will be responsible for compliance with the California Environmental Quality Act (CEQA) and for the rehabilitation of the non-Chapter 8 properties.

Figure 3: Property Acquisition Selection Criteria

Category	Parameter	Parameter
Property	Housing Type*	Multifamily, 4-20 units
	Purchase Price*	$150,000 - $350,000
	Building Class	B/C (~50K per unit in rehab costs)
	Proximity to Transit	0.5 miles; also consider TOD area
Tenants	Organized Tenants	Engaged and interested in ownership At risk of being displaced
	Household income	30-80% Area Median Income (AMI)
	Displacement Risk	Gentrified, Disadvantaged Area (Displacement Map); Factors: Planned investment, California Tax Credit Allocation Committee/ Housing and Community Development Opportunity Map
Preferences only	LA County	Unincorporated LA County
	Distance from Freeway	> 500 feet

**Varies if Chapter 8 property*

Potential Chapter 8 Properties

Out of 800 Chapter 8 tax sale eligible properties in the First Supervisorial District (SD1), the working group agreed to exclude commercial, industrial, and recreational properties, and properties meeting one or more of the following criteria: 1) 1-2 years tax defaulted; 2) partial payments of at least 50 percent of the total redemption amount[7]; or 3) slivers of land that are not viable for development. After reviewing the 220 residential properties from this list with the identified selection criteria, the Working Group identified 10 properties. After assessing the properties, TTC determined one property had been redeemed. Based upon the redemption amount and partial payments to date for three properties, the Working Group determined these properties would have a high likelihood for redemption by the owners. Of the remaining six pre-selected properties, all are located in areas at risk for displacement, with four properties in the unincorporated area of the County and two in the incorporated cities. The Working Group recommends the County prioritize these four unincorporated properties in SD1 for potential acquisition through the Chapter 8 sale process. The Working Group will also consider the properties in the incorporated cities.

4.2 – Pilot Program Process for Chapter 8 Properties

This section provides an overview of the costs, funding sources, and the considerations listed by the Board motions that would be applicable to both Chapter 8 and non-Chapter 8 properties, including: an assessment of CLT capacity based upon LACDA's original evaluation criteria; agreement terms to convey the properties from the County to the CLTs; and a plan for engaging owners to prevent displacement and provide homeownership opportunities. The property would be conveyed to a CLT based upon geographic focus (refer to Figure 2).

The Working Group, in partnership with CLTs, developed a process to acquire Chapter 8 properties. The following outlines the steps necessary for TTC to seek Board and State Controller's Office approval and includes the estimated costs to the County for property acquisition (Figures 4 and 5).

Figure 4: Proposed Process to Acquire Chapter 8 Properties[8]	Estimated Timeline
1. County CEO submits Chapter 8 Application[9] to TTC (30 days prior to a scheduled auction[10]). *One application may be submitted for multiple parcels.*	April 2021
2. If parcel not in the County's Unincorporated Area, request City approval of purchase price (only if applicable).[11]	July 2021
3. County Counsel prepares Agreement among TTC, County, and the State.	July 2021
4. Board considers Chapter 8 Resolution and Agreement Package for approval.	July 2021
5. TTC submits Chapter 8 Agreement Package to the State Controller's Office.	August 2021

[7] Property owners have the right to redeem tax defaulted property. TTC excluded properties in which a property owner paid at least 50 percent of the total amount of all unpaid delinquent tax years as well as county-specific penalties and fees, because the property owner made substantial partial payment and the property could be redeemed in the future.
[8] State of California County Tax Sale Procedural Manual, Vol.2, Chapter 8 Tax Sales, Updated 12/18.
[9] Documents required for Chapter 8 Agreement Sales: Notice of Power to Sell; Application (SCO Form 8-16); Objection Letter (if required); Agreement (SCO Form 8-13 or 8-15); County Board of Supervisors Resolution Approving the Sale; Chapter 7 Tax Sale Resolution (for objections only); Publication.
[10] Or anytime, if no auction is scheduled in a calendar year.
[11] When applicable, the County will collaborate with cities to waive or forgive liens or assessments on a property being conveyed to a CLT.

6. State Controller's Office considers Agreement for approval.	September 2021
7. TTC notifies lienholders and any person with a recorded interest in the property. *45-60 days prior to the effective date of the agreement sale*	Fall 2021
8. County publishes/posts the Notice of Agreement. *The first publication of the notice must occur at least 21 days prior to the effective date of agreement sale.*	Summer/Fall 2021
9. Agreement sale becomes effective. TTC prepares, signs and records the tax deed and either a certificate of acceptance for government sales or copy of agreement for nonprofit sales. *No sooner than 21 days after the first publication of the notice of agreement.*	Fall 2021
10. CLT partners inform owners and residents about ownership opportunities.	Once sale finalized
11. If sale is not challenged in court within 12 months of execution of the tax deed, sale cannot be overturned.	Fall 2022
12. Finalize agreement(s) to convey properties to the CLT for affordable housing.	Fall 2022
13. LACDA monitors construction and affordability, per the signed Agreement and Covenant.	Ongoing

Figure 5: Acquisition Price and Fees for Chapter 8 Properties

Fees[12]	**Description**	**Cost**
TTC Application Fee[13]	Preliminary Research fee per parcel paid with application	$100
Notification Costs	• Final research and notification fee: $300 • Publication + certified mail costs[14]: $1,700	$2,000
Purchase Price[15]		
Property not previously offered at auction	Redemption amount = Sum of: • Unpaid property taxes • Accrued penalties[16] • Fees • Costs of sale	May range from a few thousand dollars to over one million
Property previously offered at auction	Reduced price recommended by TTC and with Board approval. *e.g., $1,426 for previously offered property to cover TTC fees, (fixed amount, no projection of penalties, unpaid taxes and penalties are deleted)*	*May range from $1,426 or higher

*The final purchase price is recommended by the TTC and approved at the discretion of the Board and could be as low as covering the fees ($2,100 + $1,426).

Agreements between the County and CLT

An agreement template (Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions) is currently being drafted by County Counsel to include terms and conditions for the County to convey the property to the CLT, once each Chapter 8 sale

[12] Reflects current approved fees. Fee study recommended increases are pending Board approval.
[13] LACDA Application Fees are also charged for property purchased by nonprofit for development.
[14] Estimate per historical average; actual newspaper and postage charges vary by location and number of notices.
[15] If County or State is the purchaser and property is located within an incorporated city, city must approve price.
[16] Penalties on base tax are 1.5% per month and projected 6 to 9 months depending on anticipated effective date.

is finalized. Actual agreements will be finalized on a case-by-case basis. The agreement terms will include affordability duration in perpetuity and targeted household incomes below 80 percent AMI, with a focus on deeper affordability (below 60% AMI). However, the County and CLTs are committed to not displacing existing tenants with household incomes at higher AMI. Specifically, the Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions between the CLT and LACDA will include contractual safeguards to ensure: compliance with all County and LACDA fiscal and program requirements; maintenance of housing affordability; and submittal of annual reports and audited financial statements to the County.

Maintenance of the property will be the responsibility of the CLT. The County will have an agreement with the CLT so that the CLT will manage the property prior to conveyance once the sale is finalized. Once the Chapter 8 sale is final and the County becomes the owner of the property, the County will enter into an agreement with the CLT to convey the property to the CLT. These agreements will be between LACDA and CLT, as LACDA will act as the agent of the County in the administration and monitoring of the Pilot Program.

Review Strategy to Strengthen CLT Capacity

LACDA has developed a checklist for reviewing nonprofit organizations applying for Chapter 8 property sales. This checklist will be helpful in assessing the financial and operational capacity of nonprofits to complete affordable housing projects. The criteria include: basic project eligibility requirement; fiscal viability and feasibility; and verification of operational capacity. Additionally, partnerships with the community development corporations (CDC) would help review the CLT's track record regarding property management and tenant relationships. As mentioned, CDCs are nonprofits that will support the CLTs by offering real estate expertise and ensuring capacity to deliver projects. LACDA's checklist will serve as a guide for assessing the operational and financial capacity of the CLTs for both Chapter 8 and non-Chapter 8 properties.

Engaging Owners and Residents

For Chapter 8 properties, engagement with owners and existing residents would begin once the sale is finalized and the County holds the deed. During this time period and up until 12 months, the County will draft an agreement with the CLT to act as the property manager. The County and CLTs are committed to working with the original property owners or tenants to allow them to stay in their homes when possible.

4.3 – Pilot Program Process for Non-Chapter 8 Properties

This section describes the Working Group's process for Non-Chapter 8 properties to be acquired by the CLTs for the Pilot Program. Figure 6 shows steps for providing funding to CLTs for acquisition and developing agreements to ensure preservation of affordable housing in perpetuity. The County and CLTs have agreed that the due diligence process for each property is to include: 1) a Physical Needs Assessment (PNA)[17]; 2) Phase I Environmental Site Assessment (including Lead Based Paint/Asbestos assessments); 3) appraisal; and 4) title review. Although the County and CLT partners share the goal of meeting 30-60 percent AMI affordability, we have agreed to structure the agreement with enough flexibility relative to the maximum AMI level to ensure no displacement of existing tenants.

Figure 6: Proposed Process for Acquisition of Non-Chapter 8 Properties[18]	Estimated Timeline
1. CLT Working Group and Board Offices select properties for acquisition.	January – June 2021
2. County and CLTs conduct due diligence on properties.	January – June 2021
3. Create Grant and Monitoring Agreements between LACDA and CLTs.	February 2021
4. LACDA wires funds to escrow company for acquisition of properties.	February – June 2021
5. CLTs, Board Offices, and partners inform owners and residents about ownership opportunities; develop plan to prevent displacement.	February – June 2021

Agreements and Funding Sources for Non-Chapter 8 Property Acquisitions

The Board's allocation of up to $14 million from the Affordable Housing Acquisition Fund (Affordable Housing Programs Budget) for the CLTs to acquire non-Chapter 8 properties serves the public purpose of preserving affordable housing. In order to streamline the funding process to meet the 30- to 45-day escrow period of market acquisitions, the County will complete the grant and monitoring agreements within this timeframe. By allowing LACDA to represent the County, the CEO will develop a funding agreement with LACDA to encumber the $14 million for the Pilot Program, and funds would be transferred to LACDA in increments. For each property acquisition, LACDA will wire funds directly to the escrow company, and the CLT would then be able to leverage other funding to purchase the property and/or rehabilitate the property.

On January 5, 2021, the Board established this process by authorizing LACDA to act as the agent of the County for the Pilot Program. The Board motion directs the CEO to execute a funding agreement with LACDA and authorizes LACDA to enter into grant agreements with the CLTs/CDCs on behalf of the County. As indicated in the previous section, the agreement template currently being developed by County Counsel will be finalized on a case-by-case basis to serve as the grant agreement between LACDA and the CLT. Similarly, the agreement terms described in the prior section will be included in the grant agreement.

LACDA is proposing to use the Density Bonus monitoring fee structure for the CLT projects and estimates staff time will be the same for Density Bonus and the CLT projects. Under the County's Density Bonus Ordinance,[19] a developer may be able to build more residential units

[17] The Physical Needs Assessment (PNA) must be conducted utilizing a recognized industry standard to establish useful life estimates and establish suitable replacement reserves for identified areas of concern. The PNA shall, at a minimum, identify the capital needs of the project over a 15-year period. The PNA projects the costs for any repairs/replacements for the near-term work (capital needs within the first three years) and identifies anticipated or projected contributions to a replacement reserve needed to accomplish the long-term work (capital needs over the next 12 years).
[18] State of California County Tax Sale Procedural Manual, Vol.2, Chapter 8 Tax Sales, Updated 12/18.
[19] Density Bonus Ordinance Fact Sheet: https://planning.lacounty.gov/assets/upl/project/density-bonus-fact-sheet.pdf

on their property than what is allowed by code, based on the percentage of affordable units at each income level. The Density Bonus monitoring fee structure is used for projects that receive a density bonus through the Department of Regional Planning. The fees would be:

- Rental - $165 per unit/year for the term of affordability. The fee will be paid yearly, at the time of monitoring.
- Homeownership - $2,850 before occupancy. This applies to the initial occupancy monitoring and any sales or change in ownership thereafter. This is an initial review fee for eligibility and will not have a yearly fee component.

Additional financial support for the program is being provided by Strong, Prosperous, And Resilient Communities Challenge (SPARCC), which has committed a $500,000 recoverable grant to the LA CLT Coalition and its CDC partners. The recoverable grant will be administered by Genesis LA and will provide funds for the CLTs and CDCs to place deposits on the properties and to conduct up to $25,000 per building of due diligence activities. When a property closes escrow, those funds will be returned to SPARCC. In the case that a property does not close escrow, SPARCC will grant up to $25,000 per building to cover the due diligence costs. The deposit funds, however, will be returned to SPARCC in all cases.

For non-Chapter 8 properties, the CLTs will engage with owners and existing tenants to learn their goals about homeownership and provide information about the CLT model and its opportunities.

V. NEXT STEPS

The County will continue to proceed with plans to partner with CLTs to acquire both Chapter 8 and non-Chapter 8 properties for the purpose of affordable housing preservation. For the Chapter 8 properties, the County plans to submit the Chapter 8 Applications to TTC in April 2021, and work with TTC to seek Board and State approvals. Once the sale is finalized, the County will prepare an agreement with the CLT to convey the properties. The details of the agreement will ensure that owners and residents are not displaced and have information about homeownership opportunities through the CLT model.

For non-Chapter 8 properties, the CLTs will continue to work with all Board offices with the intention to identify properties in each Supervisorial District. At this time, properties have been preliminarily identified. County Counsel is working with CEO and LACDA to draft the agreements with CLTs, with the goal of leveraging funding from the Affordable Housing Programs Budget so that acquisition of properties may begin by February 2021.

Figure 7: Summary of Funding Sources and Agreements for Pilot CLT Partnership program

Pilot Component	County Funding Source	Agreements
1. Chapter 8 Properties	Affordable Housing Programs Budget	• Agreement package between TTC and State Controller's Office • Agreement(s) between County and CLT/CDC for property management; conveyance of the property

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FESIA A. DAVENPORT
Chief Executive Officer

July 26, 2022

To: Supervisor Holly J. Mitchell, Chair
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Fesia A. Davenport
Chief Executive Officer

PROGRESS REPORT: CREATING OPPORTUNITIES FOR BUILDING EQUITY - DEVELOPING A PILOT COMMUNITY LAND TRUST PARTNERSHIP PROGRAM (ITEM NO. 57-B, AGENDA OF SEPTEMBER 29, 2020; ITEM NO 2-D, AGENDA OF NOVEMBER 10, 2020); AND CREATING PERMANENT HOUSING THORUGH CHAPTER 8 AGREEMENT SALES (ITEM NO. 79-A, AGENDA OF MAY 17, 2022)

On September 29, 2020, the Board of Supervisors (Board) adopted a motion directing the Chief Executive Officer, in collaboration with the Treasurer and Tax Collector (TTC), the Los Angeles County Development Authority (LACDA), and County Counsel to: 1) develop a process to help secure tax-defaulted properties through Chapter 8 Agreement Sales for Community Land Trusts (CLTs) to create long-term affordable housing; 2) develop a Pilot CLT Partnership Program (Pilot Program) for the First Supervisorial District and other interested Districts, and solicit partnerships with CLTs and nonprofits to utilize the process; and 3) identify and designate funding for the Pilot Program, including the Affordable Housing Programs Budget Unit (Budget Unit), including $7.2 million transferred to the Budget Unit on August 4, 2020, from unclaimed funds collected by TTC.

On November 10, 2020, the Board adopted a motion to expand the Pilot Program beyond Chapter 8 properties. The November 10, 2020 motion allocated up to $14 million from the Budget Unit to acquire and rehabilitate non-Chapter 8 properties in all Supervisorial Districts. On January 5, 2021, the Board authorized the LACDA to act as the agent of the County of Los Angeles (County) for the Pilot Program. On May 17, 2022, the Board approved the Chapter 8 Agreement Sale Numbers 2852 and 2853 authorizing the TTC to sell five tax-defaulted properties subject to the Tax Collector's Power to Sell to the County for the estimated total purchase price of $234,941.

In response to the September and November 2020 Board directives, the Chief Executive Office (CEO) convened a Working Group consisting of the CEO, LACDA, TTC, and County Counsel (collectively, Working Group). On February 22, 2021, the CEO submitted a report to the Board outlining the Working Group's progress to date, its proposed processes for Chapter 8 and non-Chapter 8 properties for the Pilot Program, and timelines for implementation. As directed in the November 10, 2020, motion, the CEO and LACDA were to evaluate the Pilot Program after 90 days from execution of the final CLT grant agreement for non-Chapter 8 properties. Further, if determined successful based upon this assessment, the report was to provide recommendations for establishing a long-term CLT Partnership Program for the County. The attached report (Attachment) includes an update on the Pilot Program, including geographic allocation of funding; the vetting process for acquisitions; the process of completing any required improvements and rehabilitations; feedback from Pilot Program partners; and recommendations for next steps. On May 17, 2022, the Board directed the CEO and TTC to develop recommendations to establish a regular, ongoing process for acquisition of Chapter 8 properties, and the attached report responds to this directive.

PILOT CLT PARTNERSHIP PROGRAM UPDATE

CLTs are nonprofit, community-based organizations that provide affordable housing through various strategies, including opportunities for residents to manage and/or own their homes. Most CLTs partner with nonprofit affordable housing developers with experience in construction and rehabilitation to renovate these properties and ensure housing quality and stability. Moreover, the CLT model guarantees the land will remain under CLT stewardship in perpetuity, ensuring the homes are permanently affordable.

The attached report reviews the Pilot Program's progress to date in acquiring Chapter 8 and non-Chapter 8 properties. In April 2021, the Working Group selected eight Chapter 8 properties (three were later redeemed when property owners paid the outstanding property taxes), and TTC received Board approval on May 17, 2022, to submit an application package to the State Controller's Office to apply for the acquisition of the five tax-defaulted properties. TTC submitted the application to the State in June 2022, and the sale may take up to twelve (12) months to be finalized.

To enter into a Chapter 8 agreement to purchase a tax-defaulted property, nonprofit organizations may only purchase substandard residential properties that require rehabilitation to rent or sell to low-income persons, or vacant land for construction of affordable housing. The Pilot Program allows the County to submit the Chapter 8 application, and once the Chapter 8 sale is final, the County would immediately convey the property to the nonprofit/CLT.

The Pilot Program successfully acquired eight non-Chapter 8 properties and removed 43 units from the speculative market, while providing pathways for homeownership. Of the $14 million allocated for the acquisition of non-Chapter 8 properties, a total of $13.44 million has been expended to acquire the non-Chapter 8 properties throughout all Supervisorial Districts, with prioritization of areas at risk for displacement. This report reviews progress to date and next steps, including rehabilitation of the properties and long-term conversion to ownership.

RECOMMENDATIONS AND NEXT STEPS

In Fiscal Year 2022-23, the CEO, TTC, and LACDA recommend repeating the process to acquire additional Chapter 8 properties; however, more resources for staffing would be necessary to scale a permanent program. Once sales are finalized after 12 months in this first round, the team will reassess the process, and LACDA would execute agreements to convey the properties to the CLTs and nonprofits. In Fiscal Year 2022-23, additional Chapter 8 properties may be recommended for acquisition, in partnership with the CLTs and nonprofits. For the non-Chapter 8 properties, the CEO and the LACDA reviewed information gathered from the CLTs and nonprofit housing developers to recommend refining the Pilot Program's processes and protocols for vetting and selection of properties, as well as refining the grant agreement with the CLTs and partners. Moreover, if the Board decides to establish an ongoing CLT Partnership Program, the LACDA is finalizing a draft of Policies and Procedures, as well as a Term Sheet, to improve the program's implementation moving forward. Based upon the CEO's and the LACDA's review of currently available information, as well as feedback provided by the CLTs and developers, our recommendations are as follows for continuing the CLT Partnership Program:

Program Guidelines

- Refine the grant agreement and guidelines and develop a standardized protocol for the program.
- For future site selection and prior to scaling, use the County's Anti-Racism, Diversity and Inclusion (ARDI) Initiative equity tools and the LACDA's and Strategic Actions for a Just Economy's (SAJE) TRACT (Tracking Regional Affordability and Challenges to Tenancy) platform to assess and prioritize vulnerable areas most at risk for displacement.
- Follow the County's progress on the Board directive to research a viable land banking model, including relationships between CLTs and affordable housing land banks.[1]

Funding and Resources

- Leverage and braid State and local funding sources, including consideration of the California Department of Housing and Community Development's (HCD) $500 million Foreclosure Intervention and Housing Preservation Program, the American Rescue Plan Act (ARPA) funds, and the County's Affordable Housing Programs Budget.
- Consider separating acquisition and rehabilitation financing into separate closings or providing an acquisition-only financing program.
- Identify staffing and resources necessary to scale this program, including staff at the TTC and LACDA, to research potential Chapter 8 properties and conduct due diligence on non-Chapter 8 selected properties, respectively.

Program Evaluation

- Select metrics and a third-party consultant to evaluate long-term community and individual household outcomes on the Pilot Program.
- Review and apply lessons learned from the Pilot Program, including consideration of recommendations from an upcoming evaluation report on the Pilot Program by the Liberty Hill Foundation/ LeSar Development Consultants.

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[1] On March 1, 2022, the Board directed the CEO, in collaboration with the Department of Public Works, ARDI, Metro, and outside partners, to research a viable land banking model that would operate at a regional scale to support affordable housing preservation and production. In response, the CEO submitted a Board report on June 3, 2022. On June 14, 2022, the Board directed the CEO to develop steps for the land bank pilot and secure at least $50 million in seed funding.

Should you have any questions concerning this matter, please contact me or Cheri Todoroff Executive Director of the Homeless Initiative and Affordable Housing, at (213) 974-1752 or CTodoroff@ceo.lacounty.gov.

FAD:JMN:CT
VD:yy

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Los Angeles County Development Authority
Treasurer and Tax Collector

ATTACHMENT

COUNTY OF LOS ANGELES

– Progress Report –

Creating Opportunities for Building Equity: Developing a Pilot Community Land Trust Partnership Program

MAY 2022

WORKING GROUP'S PROGRESS REPORT ON THE COUNTY'S PILOT COMMUNITY LAND TRUST (CLT) PARTNERSHIP PROGRAM

APPENDICES

Progress Report on Creating Opportunities for Building Equity – Pilot CLT Partnership Program

Community Land Trusts (CLTs) are nonprofit, community-based organizations which steward land in perpetuity to maintain community-benefiting uses and long-term affordability. Through a shared equity model, CLTs preserve affordable housing and expand homeownership opportunities by providing lower-income households with the opportunity to manage and own their housing.

EXECUTIVE SUMMARY

On September 29, 2020, the Board of Supervisors (Board) directed the Chief Executive Office (CEO), in collaboration with the Treasurer and Tax Collector (TTC), the Los Angeles County Development Authority (LACDA), and County Counsel (collectively, the Working Group) to establish a pilot program to help secure tax-defaulted properties through Chapter 8 Agreement Sales for Community Land Trusts (CLTs) to create long-term affordable housing (Pilot Program). On November 10, 2020, the Board expanded the Pilot Program beyond Chapter 8 properties and allocated $14 million from the Affordable Housing Programs Budget as County general grant funds to acquire non-Chapter 8 properties. The November motion directed the CEO and the LACDA to evaluate the Pilot Program and if determined successful based upon this assessment, provide recommendations for establishing a long-term CLT Partnership Program for the County. On January 5, 2021, the Board authorized the LACDA to act as the agent of the County of Los Angeles (County) for the Pilot Program. As directed by the Board, this progress report on the Pilot Program reviews the geographic allocation of funding, the vetting and selection of acquisitions, and the process of completing any required improvement and rehabilitation. This report outlines the framework developed for Pilot Program, updates on progress to date, and provides recommendations.

Background

The economic crisis resulting from the novel coronavirus (COVID-19) pandemic caused households to face increasing housing cost burden. With declining rental incomes, smaller multi-family property owners have struggled to cover mortgage payments and have been at risk of mortgage default. As the State of California (State) recovers and the California COVID-19 Rent Relief application portal closed on March 31, 2022, these defaulted properties may go to market, and corporations and real estate firms are often the highest bidders. If such entities buy multi-family and single-family rental properties that are for sale, these properties would likely not remain affordable for residents across communities throughout the County, especially in areas already at risk for displacement. This could result in a net loss of naturally occurring affordable housing for years to come.

As mentioned in the CEO report on August 17, 2020,[2] one strategy to address displacement is for the County to partner with mission-driven entities, such as CLTs, to acquire properties in areas with displacement risk while providing community members with homeownership opportunities. Further, evaluation and research of CLTs show community and individual benefits to preserving affordability of housing, retaining wealth, and expanding

[2] County of Los Angeles, Chief Executive Office. *Prioritizing Affordable Housing in Areas with Displacement Risk.* (Item No. 2, Agenda of January 14, 2020).

homeownership, and enhancing residential stability.[3] Research on the impact of homeownership also shows greater housing stability, housing quality, and affordability for households – as well as better educational, health, and mental health outcomes.[4]

Pilot CLT Partnership Program Update

On February 22, 2021, an initial report presented the Working Group's recommended process and related timeline to implement the Pilot Program for both Chapter 8 and non-Chapter 8 properties. By identifying selection criteria, including prioritization of areas with displacement risk, the Working Group identified five (5) Chapter 8 properties in the First and Fourth Supervisorial Districts for the Pilot Program. Three of these properties are in the unincorporated area, and two properties are in the City of Los Angeles. On May 17, 2022, the Board approved for TTC to submit two Chapter 8 Agreements to the State Controller's Office for final approval and initiate the Chapter 8 sales process, which can take up to 12 months to be finalized.

This report focuses on the progress of the expanded Pilot Program to partner with CLTs to acquire eight (8) non-Chapter 8 properties, through grant agreements expending $14 million, with at least one property in each Supervisorial District. These eight properties consist of 43 total units, with average acquisition costs of $233,000 per unit. All eight properties used County general grant funds for property acquisition. Five (5) properties used County grant funds for rehabilitation with average per unit rehabilitation costs of $51,000, and four (4) properties sought private financing for rehabilitation with average per unit costs of $28,000. With the exception of one household, all households have certified their incomes are at or below 80 percent Average Median Income (AMI) and no displacement occurred. Currently, the CLTs are in different stages of rehabilitation and developing plans for setting up homeownership structures and operating costs. Developing homeownership models for long-term management is expected to take several years and will require collaboration among CLTs, community development corporations (CDCs), and residents.

Recommendations for Continuing the CLT Partnership Program

Program Guidelines

- Refine the grant agreement and guidelines and develop a standardized protocol for the program.
- For future site selection and prior to scaling, use the County's Anti-Racism, Diversity and Inclusion (ARDI) Initiative equity tools and the LACDA's and Strategic Actions for a Just Economy's (SAJE) TRACT (Tracking Regional Affordability and Challenges to Tenancy) platform to assess and prioritize vulnerable areas most at risk for displacement.

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[3] https://www.burlingtonassociates.com/files/3513/4463/1435/1-Lands_in_Trust_Homes_That_Last.pdf
https://www.lincolninst.edu/sites/default/files/pubfiles/1274_sungu-eryilmaz_final.pdf
https://www.urban.org/research/publication/shared-equity-homeownership-evaluation-case-study-northern-communities-land-trust/view/full_report
[4] https://www.habitat.org/sites/default/files/documents/Evidence-Brief_Overview-of-Homeownership-lores.pdf
https://mobilitytoolkit.enterprisecommunity.org/housing-outcomes

- Follow the County's progress on the Board directive to research a viable land banking model, including relationships between CLTs and affordable housing land banks.[5]

Funding and Resources

- Leverage and braid State and local funding sources, including consideration of HCD's $500 million Foreclosure Intervention and Housing Preservation Program, the ARPA funds, and the County's Affordable Housing Programs Budget.
- Consider separating acquisition and rehabilitation financing into separate closings or providing an acquisition-only financing program.
- Identify staffing and resources necessary to scale this program, including staff at the TTC and LACDA, to research potential Chapter 8 properties and conduct due diligence on non-Chapter 8 selected properties, respectively.

Program Evaluation

- Select metrics and a third-party consultant to evaluate long-term community and individual household outcomes on the Pilot Program.
- Continue to review and apply lessons learned from the Pilot Program, including consideration of recommendations from an upcoming evaluation report on the Pilot Program by the Liberty Hill Foundation/ LeSar Development Consultants.

CHAPTER 8 PILOT PROGRAM STATUS AND NEXT STEPS

On May 17, 2022, the Board approved the Chapter 8 Agreement Sale Numbers 2852 and 2853 authorizing the TTC to sell five tax-defaulted properties subject to the Tax Collector's Power to Sell to the County for the estimated total purchase price of $234,941. Further, the Board directed the CEO, in partnership with the TTC, to evaluate the Chapter 8 Agreement Sale process and develop recommendations to establish a regular, ongoing process, in coordination with eligible entities and mission-driven nonprofit organizations, to review the inventory of tax-defaulted properties available for acquisition through Chapter 8 Agreement, identify potential properties suitable for affordable housing, and develop a streamlined process for government entities and other eligible entities, in partnership with the County, to acquire the properties through a Chapter 8 Agreement Sale to preserve or create affordable housing. This section responds to this directive and provides recommendations for next steps.

The CEO, TTC, and LACDA recommend building upon and refining the process from the Pilot Program outlined in Figure 1 (from the CEO's February 22, 2021 report). TTC has indicated a need for additional staff positions to conduct legal and property research, qualitative analysis of suitable properties, act as liaisons with County, State Controller's Office, local public agencies, departments and CLTs, attend meetings and prepare written reports and present findings/recommendations both verbally or by written reports. In addition, the TTC has indicated a need for funding for consultation and legal services provided by County Counsel. The TTC will review the homeowner-occupied properties to select

[5] On March 1, 2022, the Board adopted a motion directing the CEO, in collaboration with the Department of Public Works, ARDI, Metro, and outside partners, to research a viable land banking model that would operate at a regional scale to support affordable housing preservation and production with a dedicated and ongoing source of funding. In response, the CEO submitted a Board report on June 3, 2022. On June 14, 2022, the Board directed the CEO to develop steps for the land bank pilot and secure at least $50 million in seed funding.

County Counsel. The TTC will review the homeowner-occupied properties to select properties to prevent displacement of vulnerable homeowners and tenants. Similarly, LACDA has indicated that additional staff would be needed to administer the Chapter 8 Pilot Program to conduct the due diligence required for each property, and to work closely with the CLT and CDC partners to close each of the transactions. During Fiscal Year (FY) 2022-23, following review of the existing Chapter 8 property inventory, as well as partnering with the CLTs and nonprofits for property selection, the CEO, TTC, LACDA, and CLT and CDC partners would propose plans to begin development of a short list by the fall, and then prepare application(s) for the Board's consideration in the spring. Further discussion to identify and leverage funding for acquisition and rehabilitation of properties would also be necessary. For reference, Figure 2 shows acquisition price and fees for Chapter 8 properties. After the initial round, in order to ensure the success of the program the CEO will review the process and make any revisions prior to recommending scaling the program, such as adding staff.

Figure 1: Proposed Annual Process to Acquire Chapter 8 Properties[6]	Estimated Timeline
1. County CEO submits Chapter 8 Application[7] to TTC (30 days prior to a scheduled auction[8]). *One application may be submitted for multiple parcels.*	April (2023)
2. If parcel not in the County's Unincorporated Area, request City approval of purchase price (only if applicable).[9]	July
3. County Counsel prepares Agreement among TTC, County, and the State.	July
4. Board considers Chapter 8 Resolution and Agreement Package for approval.	July
5. TTC submits Chapter 8 Agreement Package to the State Controller's Office.	August
6. State Controller's Office considers Agreement for approval.	September
7. TTC notifies lienholders and any person with a recorded interest in the property. *45-60 days prior to the effective date of the agreement sale*	Fall
8. County publishes/posts the Notice of Agreement. *The first publication of the notice must occur at least 21 days prior to the effective date of agreement sale.*	Summer/Fall
9. Agreement sale becomes effective. TTC prepares, signs and records the tax deed and either a certificate of acceptance for government sales or copy of agreement for nonprofit sales. *No sooner than 21 days after the first publication of the notice of agreement.*	Fall
10. CLT partners inform owners and residents about ownership opportunities.	Once sale finalized
11. If sale is not challenged in court within 12 months of execution of the tax deed, sale cannot be overturned.	12 months from sale
12. Finalize agreement(s) to convey properties to the CLT for affordable housing.	12 months from sale
13. LACDA monitors construction and affordability, per the signed Agreement and Covenant.	Ongoing

[6] State of California County Tax Sale Procedural Manual, Vol.2, Chapter 8 Tax Sales, Updated 12/18.
[7] Documents required for Chapter 8 Agreement Sales: Notice of Power to Sell; Application (SCO Form 8-16); Objection Letter (if required); Agreement (SCO Form 8-13 or 8-15); County Board of Supervisors Resolution Approving the Sale; Chapter 7 Tax Sale Resolution (for objections only); Publication.
[8] Or anytime, if no auction is scheduled in a calendar year.
[9] When applicable, the County will collaborate with cities to waive or forgive liens or assessments on property conveyed to a CLT.

Figure 2: Acquisition Price and Fees for Chapter 8 Properties		
Fees[10]	**Description**	**Cost**
TTC Application Fee[11]	Preliminary Research fee per parcel paid with application	$100
Notification Costs	• Final research and notification fee: $300 • Publication + certified mail costs[12]: $1,700	$2,000
Purchase Price[13]		
Property not previously offered at auction	Redemption amount = Sum of: • Unpaid property taxes • Accrued penalties[14] • Fees • Costs of sale	May range from a few thousand dollars to over $1M
Property previously offered at auction	Reduced price recommended by TTC and with Board approval. *e.g., $1,426 for previously offered property to cover TTC fees, (fixed amount, no projection of penalties, unpaid taxes and penalties are deleted)*	*May range from $1,426 or higher

*The final purchase price is recommended by the TTC and approved at the discretion of the Board and could be as low as covering the fees ($2,100 + $1,426). Reflects current fees as of May 23, 2022. TTC has completed a fee study and will be bringing updated fees to the Board for their consideration in the coming months.

An agreement template (Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions) is currently being drafted by County Counsel to include terms and conditions for the County to convey the property to the CLT, once each Chapter 8 sale is finalized. Actual agreements will be finalized on a case-by-case basis. The agreement terms will include affordability duration in perpetuity and targeted household incomes below 80 percent AMI, with a focus on deeper affordability (below 60 percent AMI). However, the County and CLTs are committed to not displacing existing tenants with household incomes at higher AMI. Specifically, the Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions between the CLT and LACDA will include such contractual safeguards to ensure, compliance with all County and LACDA fiscal and program requirements, maintenance of housing affordability, and submittal of annual reports and audited financial statements to the County.

Maintenance of the property will be the responsibility of the CLT. The County will have an agreement with the CLT so that the CLT will manage the property prior to conveyance once the sale is finalized. Once the Chapter 8 sale is final and the County becomes the owner of the property, the County will enter into an agreement with the CLT to convey the property to the CLT. These agreements will be between the LACDA and CLT, as the LACDA will act as the agent of the County in the administration and monitoring of the Pilot Program.

[10] Reflects current fees as of May 23, 2022. TTC has completed a fee study and will be bringing updated fees to the Board for their consideration in the coming months.
[11] LACDA Application Fees are also charged for property purchased by nonprofit for development.
[12] Estimate per historical average; actual newspaper and postage charges vary by location and number of notices.
[13] If County or State is the purchaser and property is located within an incorporated city, city must approve price.
[14] Penalties on base tax are 1.5% per month and projected 6 to 9 months depending on anticipated effective date.

NON-CHAPTER 8 PILOT PROGRAM STATUS

On November 10, 2020, the Board allocated up to $14 million from the Affordable Housing Acquisition Fund (Affordable Housing Programs Budget) for CLTs in the LA Community Land Trust (CLT) Coalition with the intent to acquire and rehabilitate at least one non-Chapter 8 property in each Supervisorial District and maintain each as long-term affordable housing in perpetuity. County funds from the Affordable Housing Programs Budget were provided subject to completing due diligence that confirms financial feasibility of acquisition for the units to be covenanted at 30-80 percent of AMI, with priority for deeper affordability at 60 percent AMI or below. Through partnerships among public organizations, private agencies, and community residents, the Pilot Program has preserved affordable housing and created pathways for homeownership through capacity building of CLTs and leveraging of public and private resources.

From April 2021 through May 2022, a total of $13.44 million from County funding (grant) was expended to acquire eight non-Chapter 8 properties and preserve 43 affordable housing units, with $312,549 average subsidy cost per unit, which includes acquisition, rehabilitation, and closing costs. One property was acquired in each Supervisorial District (SD), with two properties acquired in SD1 and SD2. In order to streamline the funding process to meet the 30- to 45-day escrow period of market acquisitions, the County executed grant agreements within this timeframe. Even with this streamlined process, two additional properties were lost to the market during the Pilot Program.[15] With the exception of one household already residing at a property, the household income for all other residents that have certified their incomes is at 80 percent AMI or below.

As directed in the September motion, the Pilot Program's process included: 1) agreement terms to convey the properties from the County to the CLT; 2) partnership with CDCs to build capacity of the CLTs; and 3) a plan to engage existing owners and/or occupants of the properties. Adapted from regional CLT models,[16] the framework of the Pilot Program consists of five phases, as shown in Figure 5. First, in November 2020, the CLTs and partners conducted early feasibility for non-Chapter 8 properties that met selection criteria developed by the Working Group and then began resident engagement in the second phase.[17] Third, following due diligence of the selected properties, the CLTs acquired eight properties beginning in April 2021 through May 2022. Currently, all eight properties are undergoing or preparing for a fourth phase for rehabilitation and permanent financing. For the fifth phase, plans for conversion to resident ownership and long-term stewardship are in development.

[15]One of these properties was lost due to the appraised value being less than the purchase price (as well as an easement or encroachment on the property). The other property was lost due to a location in the USC CBA area, which would require full plan check for accessibility (and therefore would extend the timeline for escrow).
[16]Sources: https://trustsouthla.org/wp-content/uploads/2021/02/Increasing-Community-Power-Thru-CLTs-REPORT-TCE-BHC-Dec2020.pdf; Acquisition and Rehabilitation Workgroup

Pilot Program Partners

Through collaborative partnerships among County agencies, nonprofit organizations, and private funders, resources were leveraged to acquire and rehabilitate properties (Figure 3 lists the partners and their roles in the process). Further, based upon the goals of residents and community members, the partners are working together to build capacity and considering conversion to resident ownership and long-term stewardship models for the CLTs.

Figure 3: Pilot Program Working Group and Partners

Partner	Role
Community	
Residents	Tenants of properties acquired by the CLT have the option to own their homes.
Los Angeles Community Land Trust (CLT) Coalition	Network currently includes five nonprofit CLTs operating throughout the County and collectively serving all five Supervisorial Districts.
Community Development Corporations (CDCs)	Nonprofit partners with CLTs offer real estate expertise and ensure sufficient capacity to deliver projects.
Legal Aid Foundation of Los Angeles	Provides legal counsel to Coalition members.
Enterprise Community Partners	Supports Coalition with technical assistance.
Financial/Private	
Strong, Prosperous, And Resilient Communities Challenge (SPARCC)	Committed $500,000 recoverable grant to the Coalition and CDC partners. Provides funds for the CLTs and CDCs to place deposits on properties and up to $25,000 per building for due diligence activities.
Genesis LA	A Community Development Financial Institution (CDFI) administered the recoverable grant as well as provided $426,000 in loans for rehabilitation.
Public/County of Los Angeles	
Los Angeles County Development Agency (LACDA)	Acts as the agent of the County for the Pilot Program. The Board authorizes the LACDA to enter into grant agreements with the CLTs/CDCs on behalf of the County.
County Chief Executive Office	Administered $14M from Affordable Housing Programs Budget and has funding agreement with the LACDA; Coordinates amongst partners to develop Pilot Program selection criteria, process, and timeline.
County Counsel	Provides legal counsel to the County; grant agreements.

Community Organizations

The Pilot Program has provided funding to the LA CLT Coalition, which is a network that currently includes five CLTs operating throughout the County region and collectively serving all five Supervisorial Districts. The five existing CLTs in the County are: 1) El Sereno CLT; 2) Fideicomiso Comunitario Tierra Libre; 3) Liberty CLT; 4) Beverly Vermont CLT; and 5) T.R.U.S.T. South LA (Figure 4). The LA CLT Coalition is expanding to include emergent CLTs from throughout the County. Legal Aid Foundation of Los Angeles provided legal counsel to Coalition members, and Enterprise Community Partners supported the Coalition with technical assistance.

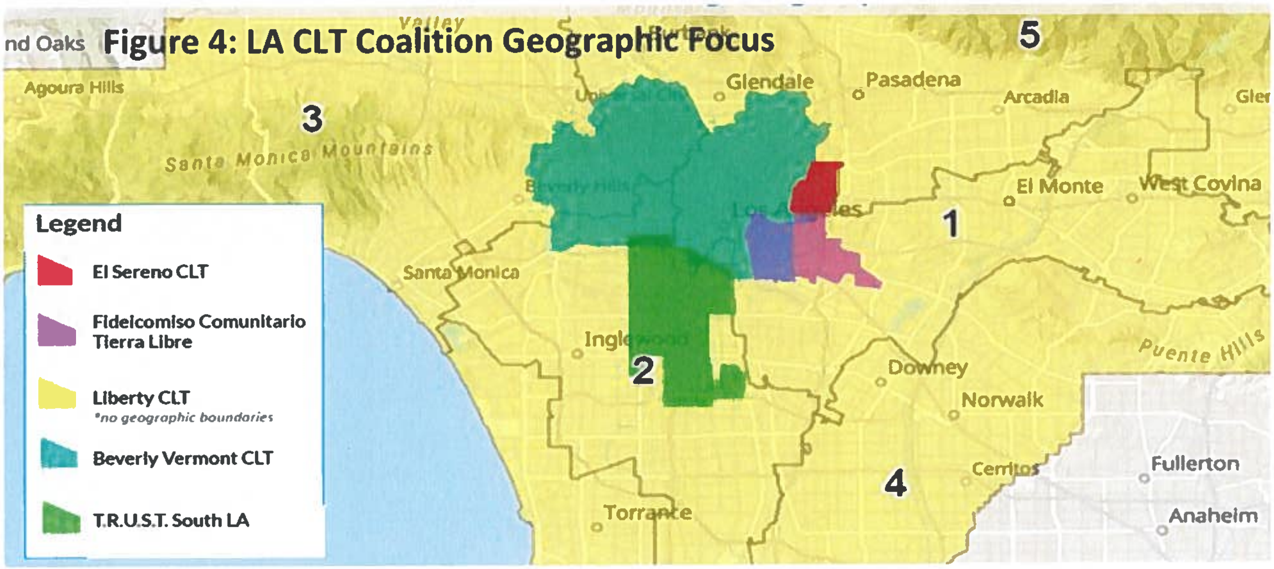


Figure 4: LA CLT Coalition Geographic Focus

As the Board motion directs, the LA CLT Coalition has established partnerships with other nonprofits, including nonprofit community development corporations (CDCs), to leverage their real estate expertise and ensure sufficient capacity to deliver projects. Partnerships with a CDC help review the CLT's capacity regarding property management and tenant relationships. By offering real estate expertise and ensuring capacity, CDCs support the CLTs to deliver projects. Four CDCs have partnered with the five CLTs: Little Tokyo Service Center (LTSC), Habitat for Humanity – San Gabriel Valley (HH-SGV), Venice Community Housing (VCH), and Brilliant Corners (BC). T.R.U.S.T South LA did not partner with a CDC for their second project.

Financial/Private Partners

In addition to the $14 million allocated to the Pilot Program by the Board, financial support for the program was provided by Strong, Prosperous, And Resilient Communities Challenge (SPARCC), which has committed a $500,000 recoverable grant to the LA CLT Coalition and its CDC partners. The recoverable grant was administered by Genesis LA and provided funds for the CLTs and CDCs to place deposits on properties and to conduct up to $25,000 per building for due diligence activities. When a property closes escrow, those funds were returned to SPARCC. In cases when a property does not close escrow, SPARCC grants up to $25,000 per building to cover the due diligence costs. The deposit funds are then returned to SPARCC in all cases. Also, Genesis LA provided funding for rehabilitation loans totaling $426,000 for four properties.

Public/County of Los Angeles Partners

On January 5, 2021, the Board authorized the LACDA to act as the agent of the County for the Pilot Program. The LACDA created a checklist to serve as a guide for assessing the operational and financial capacity of the CLTs, and LACDA is refining the program's policies and procedures. The Board motion directs CEO to execute a funding agreement with LACDA and authorizes LACDA to enter into grant agreements with the CLTs/CDCs on behalf of the County. By allowing LACDA to represent the County, the CEO developed a funding agreement with LACDA to encumber the $14 million for the Pilot Program, and funds were transferred to LACDA in increments. For each property acquisition, LACDA wired funds directly to the escrow company. Of the total, $10,010,000 of County grants funds were wired to acquire the eight properties, $1,785,365 was wired in soft costs and closing costs, and $1,644,266 grant funds were wired for the rehabilitation costs for four properties. A portion of the $560,369 budget for administrative fees is remaining to support the continued administration of the program.

An agreement template (Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions) was drafted by County Counsel to include terms and conditions for the County to convey the property to the CLT, once each non-Chapter 8 sale was finalized. The agreement terms include affordability duration in perpetuity and targeted household incomes below 120 percent AMI for homeownership and 80 percent AMI for rental units, with a focus on deeper affordability (below 60 percent AMI). However, the County and CLTs are committed to not displacing existing tenants with higher household incomes. Specifically, the Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions between the CLT and LACDA includes such contractual safeguards to ensure, compliance with all County and LACDA fiscal and program requirements, maintenance of housing affordability, and submittal of annual reports and audited financial statements to the County.

Pilot Community Land Trust Program Framework for Non-Chapter 8 Properties

In reviewing previous evaluation studies and frameworks,[18] the CEO and LACDA developed the following framework and phases for the Pilot Program, as depicted in Figure 5.

Figure 5: Pilot CLT Program Framework and Phases

1 **EARLY FEASIBILITY AND RESIDENT ENGAGEMENT**

Identify properties on the market meeting selection criteria developed by working group. Engage residents and conduct community outreach and education when possible. Complete due diligence (i.e., appraisal, environmental studies and testing, property inspections, title report) between 30-60 days, as properties sell quickly when competing with other market investors. Engage tenants to allow them to stay in their homes when possible.

2 **ACQUISITION**

Negotiate and finalize purchase. Upon Board Office approval, funds from the County's Affordable Housing Programs Budget are transferred to the escrow company so that the CLT and partners acquire property. Conditions outlined in the Grant Agreement are attached to all funding provided, including

[18] https://trustsouthla.org/wp-content/uploads/2021/02/Increasing-Community-Power-Thru-CLTs-REPORT-TCE-BHC-Dec2020.pdf;

Figure 5: Pilot CLT Program Framework and Phases

terms related to affordability duration and targeted household incomes. The LACDA continues to monitor activities to ensure the Pilot Program meets terms and conditions outlined in the Grant Agreement

3 **REHABILITATION AND PERMANENT FINANCING**
Develop and execute construction plan. Funding from the County's Affordable Housing Programs Budget and/or other public or private funds, including CDFI (Genesis LA) leveraged for rehabilitation. CLTs to set up organizational operation to cover related expenses collected from tenants who are involved with property management.

4 **CONVERSION TO RESIDENT OWNERSHIP**
Capacity building for CLT staff and residents may include: financial management of the building, operating budgets, oversight of property management, anti-displacement relocation, reserves for cap expenditures, homeownership counseling, and house rules. Partnering with CDCs helps CLTs learn financial management and construction management.

5 **LONG-TERM STEWARDSHIP**
Each CLT will determine mechanism for collection of fees, ongoing property management, asset management, and linkages with service providers as needed.

Sources: https://trustsouthla.org/wp-content/uploads/2021/02/Increasing-Community-Power-Thru-CLTs-REPORT-TCE-BHC-Dec2020.pdf; Acquisition and Rehabilitation Workgroup

Findings from Recent Research and Survey of Partners to Assess the Pilot Program

Information collected from several recent studies[19] evaluating CLTs across the nation, including an evaluation of the Champlain Housing Trust in Burlington in Vermont, observed the community benefits of CLTs. For instance, the study shows that CLTs benefit the community by preserving affordability, retaining community wealth, and enhancing residential stability (anti-displacement). Also, individual households have opportunities for homeownership and wealth building. Initially, household information is recorded, including: CLT location, financing information, and then at resale years later, additional metrics may be tracked such as appreciated value, amount of equity, amount of subsidy recapture, and purchase price for next buyer. At this time, this report focuses on the initial phases of CLT development. In the long-term, when homes are resold to other households, an evaluator may track metrics to assess change in equity, such as household income and wealth. In addition, the County plans to consult with its own ARDI to identify such metrics.

To preliminarily evaluate the County's Pilot Program, the CEO and LACDA developed a questionnaire to gather information from the CLTs and partners on completed acquisitions. The questionnaire asked about partnership experience, household information of residents, acquisition and rehabilitation process, co-op conversion, and financial stability/feasibility. On September 23, 2021, the 39-question survey was sent to the five CLTs and four CDCs to request for information, and responses were received in October 2021 (Appendix I – Survey Questions for CLT and CDC Partners). Additionally, on March 2, 2022, the LACDA, the CEO,

[19] https://www.burlingtonassociates.com/files/3513/4463/1435/1-Lands_in_Trust_Homes_That_Last.pdf
https://www.lincolninst.edu/sites/default/files/pubfiles/1274_sungu-eryilmaz_final.pdf
https://www.urban.org/research/publication/shared-equity-homeownership-evaluation-case-study-northern-communities-land-trust/view/full_report

and County Counsel held a roundtable with the CLTs and CDCs to gather their feedback and recommendations for the Pilot Program. The following section outlines progress of the Pilot Program for each phase along with feedback received from the CLTs and CDCs through the survey and roundtable.

PILOT PROGRAM PROGRESS AND FEEDBACK BY PHASE

1. EARLY FEASIBILITY AND RESIDENT ENGAGEMENT

Tenant engagement and involvement varied. Some buildings organized tenants prior to CLT acquisition and tenants were actively involved in bi-weekly conversations focused on future rehabilitation and debt, and co-op conversion. Other buildings had few tenants engaged in conversations and fewer were hesitant to engage with new ownership. Some CLTs were unable to have any contact with tenants prior to acquisition due to a combination of the current owner's discretion to allow the CLT access to the building and tenants and to the tenants' apprehension in communicating with a new owner. Tenants at two properties have been receptive to working with the CLTs and are curious to learn more about rehabilitation and collective ownership models. At one particular property, tenants have been attending monthly tenant meetings and have been very receptive to educational workshops about CLTs and co-operative housing. Tenant concerns include scope of rehabilitation and how it compares to their identified needs, how taking on debt will impact them collectively, and how the ownership opportunities work in practice. One CLT that has engaged tenants throughout the acquisition and rehabilitation process has experienced a delay in their rehabilitation schedule. The tenants have not agreed to the selected items for rehabilitation that are needed to improve the life of the building, due to the debt size.

Engaging multiple parties in the early stages of the building's acquisition and rehabilitation can be challenging, and it may be preferred to begin tenant engagement once the rehabilitation is complete. Ultimately, a shared goal across the Coalition and a key aspect of this program is developing collaborative and trusting relationships with all tenants, and the tenant engagement method should be determined by each CLT.

2. ACQUISITION

Property Selection for Acquisition

The working group began to review non-Chapter 8 properties in November 2020. Selection criteria to identify properties best suited for the Pilot Program is shown in Figure 6. Not all properties included in the Pilot Program met 100 percent of the selection criteria; for example, one of the properties is a duplex. Due to the nature of the real estate market, the CLTs needed to purchase properties quickly, and it was most important that the properties fall within budget, the selected supervisorial district, in an area with displacement risk, and with low-income tenants. One key parameter that the working group included to assess feasibility is that the property should be in an area with displacement risk. In August 2020, the CEO, with the Departments of Regional Planning and Public Works (DPW), the LACDA and other agencies created a displacement map to add layers to the Urban Displacement Project base map and formed a new map to help guide the County in prioritizing areas with residential displacement risk and selecting sites to develop and preserve affordable housing.[20] Appendix II shows that SD1 and SD2 have a higher percentage of disadvantaged areas by census tract. Since the development of the displacement map, LACDA and the CEO have added tools that would provide additional information that is helpful for the selection of such sites. For instance, on July 28, 2020, the LACDA entered into a contract with the Strategic Actions for a Just Economy (SAJE) to create TRACT (Tracking Regional Affordability and Challenges to Tenancy), which is a map that will identify neighborhoods at a high risk for residential displacement and will show risk level by geographic area. Additionally, the ARDI Equity Explorer is available and may be applied moving forward to prioritize and select projects in the County's most vulnerable areas[21].

As the LACDA reviewed the properties with the working group, it had developed a checklist for assessing potential nonprofit CLT and CDC partners participating in the Pilot Program (Appendix III – LACDA Due Diligence Checklist). This checklist assessed the financial and operational capacity of nonprofits to complete affordable housing projects. The criteria included: basic project eligibility requirements; fiscal viability and feasibility; and verification of operational capacity. Additionally, partnerships with the CDC were considered, and the LACDA's checklist guided the assessment of the operational and financial capacity of the CLTs and its partners. Moreover, LACDA is reviewing its protocols to further refine this process.

The Pilot Program allowed for the first property acquisitions for Liberty CLT, El Fideicomiso Comunitario Tierra Libre, and the El Sereno CLT, whereas BVCLT and TRUST had previously acquired properties. Overall, three of the CLTs expressed the need to further develop capacity and/or learn from partner CDCs. The survey also asked CDCs about building capacity and collaborating with the CLTs, and while the majority of the participating CDCs had never worked with a CLT or collective ownership model, most expressed interested in exploring the option. However, some CDCs were more experienced working with collective ownership models; for example, the Little Tokyo Service Center helped establish the Little Tokyo Community Impact Fund to support a community ownership model focused on acquiring commercial spaces for long-time small businesses.

As depicted in Figure 6, the working group selected key criteria to assess potential properties for acquisition through the Pilot Program. For instance, all selected properties are in areas with displacement risk, with priority for SDs with the greatest percentage of census tracts with displacement risk (Appendix II – Analysis of Disadvantaged Areas for Displacement Risk). A total of eight properties have been acquired, as shown in Figure 7. Figure 8 provides a summary of the acquired units, including average rent and acquisition costs.

[20] On August 17, 2020, the CEO reported on Prioritizing Affordable Housing in Areas with Displacement Risk

[21] https://www.arcgis.com/home/item.html?id=3f938543a9974bd0be8ef6515cc0a32f

Figure 6: Property Acquisition Selection Criteria

Category	Parameter	Parameter
Property	**Housing Type***	Multifamily, 4-20 units
	Purchase Price*	$150,000 - $350,000
	Building Class	B/C (~50K per unit in rehab costs)
	Proximity to Transit	0.5 miles; also consider TOD area
Tenants	**Organized Tenants**	Engaged and interested in ownership At risk of being displaced
	Household income	30-80% Area Median Income (AMI)
	Displacement Risk	Gentrified, Disadvantaged Area (Displacement Map); Factors: Planned investment, California Tax Credit Allocation Committee/ Housing and Community Development Opportunity Map
Preferences only	**LA County**	Unincorporated LA County
	Distance from Freeway	> 500 feet

**Varies if Chapter 8 property*

Figure 7: Properties Selected and Acquired by the CLTs through the Pilot Program

Grant Exec.	Zip code	CLT	CDC	SD	Unit	Total Grant Funds Per Project	Grant Acquisition	Grant Rehab.	Grant Closing & Soft Costs	Private Rehab
4/20/21	90022	FCTL	LTSC	1	11	$2,790250	$1,850,000	$506,584	$433,666	N/A
4/27/21	91801	El Sereno	HH - SGV	5	8	2,613,150	2,050,000	368,000	195,150	N/A
5/13/21	90501	Liberty	VCH	4	4	1,200,000	845,000	200,000	155,000	N/A
6/1/21	90004	BV	BC	2	4	1,800,000	1,600,000	N/A	200,000	125,000
8/23/21	90043	Liberty	VCH	2	5	1,479,000	910,000	360,000	209,000	N/A
10/7/21	91606	BV	BC	3	5	1,560,000	1,360,000	N/A	200,000	85,000
12/22/21	90007	TRUST S. LA	HH - SGV	1	2	$724,231	475,000	N/A	249,231	100,000
5/1/22	90006	TRUST S. LA	HH - SGV	1	4	1,273,369	920,000	209,682	143,318	116,000
Total					**43**	**$13,439,631**	**$10,010,000**	**$1,644,266**	**$1,785,365**	**$426,000**

Figure 8: Average Rent and Acquisition Cost of Units

Average County Grant Funds Per Unit	$312,549
Average Rent for Studio (AMI%)	$841 (41%)
Average Rent for 1BR (AMI%)	$1,099 (50%)
Average Rent for 2BR (AMI%)	$1,224 (46%)
Average Rent for 3BR (AMI%)	$1,556 (51%)
Average Acquisition Cost by Project**	$1,251,250

Average Acquisition Cost Per Unit	$232,791
Number of Occupied Units	41

*Purchase price only, no closing or soft costs.

Noting many challenges in the current housing market, the CLTs and partners observe low housing supply for acquisition/rehabilitation, rising cost of real estate, and rapid displacement of long-term residents from their communities. With a low housing supply in the County, the partners have experienced shorter escrow periods often lasting only a couple of weeks. Through feedback received from the survey, CLTs described how specific properties were identified for potential acquisition during site visits. For example, at a site visit, CLTs learned that at least three households were senior residents, who were likely on fixed incomes. This helped the CLT decide to move forward with the purchase.

Another CLT member commented, “This work has created a renewed emphasis on preservation and community building in neighborhoods that are in jeopardy of displacement. Due to the goal of maintaining lower rents with these small properties, operating expenses are projected to be pretty high, so it was difficult to leverage debt, which made the County Grant so important to be able to acquire and preserve properties as affordable in our community”.

With each acquisition, LACDA entered into a grant agreement with the CLT. During the March 2, 2022, roundtable, participants discussed the opportunity to refine grant agreement language and clarify terms. For example, the grant agreement currently only references homeownership income/rent schedules, in which households are eligible up to 120 percent AMI. Initially it was discussed that the conversion to homeownership would happen soon after acquisition, and the rental units did not need to be regulated. However, as discussed later in this report, the conversion to homeownership will take at minimum several years, and it is necessary to regulate the rental units in the interim. Grant agreements will therefore be amended to specify income/rent limits for rental units. Consistent with the Coalition’s interest in prioritizing lower-income households, the partners acknowledged both opportunities and limitations for setting a ceiling for all rental units up to 80 percent AMI. In addition, there was discussion on the Tenant Selection Plan. It was determined that CLTs may include criminal background checks for potential tenants, inclusion of this criteria in selecting tenants may be permissible yet not required, and grant agreement language may be amended to provide the ability to conduct criminal background checks. After discussion, it was determined that an additional requirement by LACDA will be for CLTs to consult with tenant relocation consultants to ensure tenants are properly notified and protected. LACDA wants to ensure that all CLTs are completing tenant relocation plans on schedule, allowing for a one-month review period by the LACDA, in order to distribute notices to tenants at a minimum of 30 days in advance of tenant relocation.

During the acquisition phase, CDC partners have described the partnership experience with CLTs as an opportunity to learn from one another:

“The CDC’s support during the acquisition phase of the property was the most important because it was the area of most learning. Technical assistance (TA) provided by the CDC includes guidance: during the purchase and sale of the property; to assess the physical needs of the building; for the GC selection and review process; for the transition to shared equity; and in developing financing options. Specifically, some areas of increased knowledge by the CLTs from the CDCs include: creating a proforma for multi-family buildings, learning about the acquisition process; property management planning; start and end of the acquisition (purchase) of a building, property management plans, rehabilitation, tenant selections process, due diligence, and finance products."

"Now we see an emerging synergy and realize that we are getting more done together than by working apart. As a result of our experience in this Partnership, we have moved forward to identify additional acquisition opportunities, with potential partnerships between the two organizations. Both the CDCs and CLTs feel comfortable with each other's capacity to do so."

"CDCs will continue to support CLT efforts and help build the capacity of CLTs to sustain their work, achieve their goals and expand their portfolios. Another CLT commented, "Moving forward, this CLT plans to continue to partner with other organizations until they have gained sufficient experience and capacity."

3. REHABILITATION AND PERMANENT FINANCING

As shown in Figure 7, the total amount of County and Genesis LA (private) grant funds for rehabilitation is $2,070,266, with $426,000 of this amount from Genesis LA. The LACDA is working with all CLTs to track and monitor the rehabilitation and temporary relocation of residents for all projects, if applicable. Further, the LACDA has scheduled monthly check-in with all CLTs and has created a relocation and construction tracker. During these calls, each CLT shares project construction progress to assess if projects are on schedule, delayed, or ahead of schedule.

The LACDA's construction tracker notes rehabilitation is to be completed 36 months from closing (closing for projects ranged from May 2021 through May 2022). LACDA's Construction Management Unit will be conducting inspections for each project to monitor construction progress and ensure construction completion as well as budget overruns and tenant relocation. Finally, LACDA has already coordinated with DPW to expedite and streamline the plan check process for at least one project.

4. CONVERSION TO RESIDENT OWNERSHIP

The LACDA created a questionnaire and received updates on the CLTs' homeownership conversion plans. All five CLTs are planning to explore cooperative conversions in all buildings. In some cases, this engagement with tenants could result ultimately in the conversion to a tenant-owned and/or controlled cooperative. In other cases, the CLT and the tenants may select another approach, such as having the CLT retain legal ownership of the building but incorporating a tenant-engaged management approach such as a Rent Equity program (Appendix IV – Ownership Structures).

Figure 9 shows the CLTs' approximate timeline for conversion of a building that is acquired when occupied and does not have organized tenants ready to set up co-operative housing. The timeline will vary depending on a CLTs' capacity, new tenants' relationships and concerns, the rehabilitation process, and the individual circumstance of each building.

Figure 9: Process for building conversion to resident ownership, if initially held by a CDC[22]

Year 1	Year 2	Year 3	Year 4	Year 5-6
Engage Tenants during Rehabilitation	Establish Tenant Group	Finalize Tenant Ownership Model	Transfer Management to Tenants	Incorporate Coop or Tenant Association
Initiate education and capacity-building with residents on CLTs, Cooperative Housing, and shared housing.	For tenants interested in coop conversion; continue education/training; access legal counsel.	If building is held by a CDC partner, transfer building ownership to CLT. Establish a program to save for share purchases.	Negotiate transfer of mortgage with lender or identify new lending partner. If relevant, identify lenders for share loans. Establish structure/process for legal incorporation.	Finalize legal incorporation of coop or tenant association, arrange for bifurcation of ownership of land and improvements, and transfer building ownership. Complete transfer of management to tenants. Continue training/resources on cooperative management.

For years 5-6, the process for creating and legally incorporating a Limited Equity Housing Cooperative (LEHC) consists of four steps. First, a name is reserved with the Secretary of State, and then Articles of Incorporation are prepared, executed, and filed. Next, the CLT and legal counsel work with the tenants to draft corporate bylaws, and submit Statements of Information and Common Interest Development, as well as registration with the California Attorney General's Registry of Charitable Trusts. The co-op will then file for tax exemption with the Internal Revenue Service and State of California and engage with the County Assessor to establish property tax treatment. Additionally, the co-op must claim exemption from the Subdivided Lands Act and record a declaration. The final step is developing and executing a ground lease between the coop and the CLT.

Figure 10 shows different ownership structures for land and improvements for the acquired properties between the CLT and CDC. As illustrated, CLT/CDC partners of each of the properties in the Pilot Program have a goal to achieve a LEHC upon completion of rehabilitation and tenant organization. The LEHC requires the legal incorporation of an organization and the transfer of the improvements (building) to the LEHC, while the land

[22] The process may vary as follows: 1) tenants were engaged during acquisition of the property and process could move quickly within 18-24 months; 2) tenants decide building should remain as rental property owned by CLT, and tenants engage in management; and 3) tenants decide to set up nonprofit that has ownership of building, with tenants engaged in governance (Mutual Housing Association, a no-equity cooperative, or a zero-equity cooperative).

remains with the CLT. A ground lease, a legal document, is created and signed by the two parties which indicate responsibilities of each party, relationship between parties, various use restrictions including affordability requirements, and the ground lease fee. The households in the building are to buy a share into the LEHC in order to be a part of the ownership. The share gives the household the right to live in a unit in the coop building. The owners will have the opportunity to earn equity on their share purchase once they are ready to sell. The amount of equity is capped at a certain percentage in order to retain the affordability of the building and share costs. CLTs use diverse formulas to calculate share prices and the equity a household can earn on their share (Appendix IV – Ownership Structures).

Figure 10: Ownership Structures for Acquired Properties

Property Partners			Ownership Structure Phase 1 – Acquisition & Rehab		Ownership Structure Phase 2 – Upon Completion of Rehab & Tenant Organizing	
Zip	CLT	CDC	Land	Improvement	Land	Improvement
90022	FCTL	Little Tokyo Service Center	CDC - CLT LLC	CDC - CLT LLC	CLT	LEHC
91801	El Sereno	Habitat for Humanity - SGV	CLT	CLT	CLT	LEHC
90501	Liberty	Venice Community Housing	CLT	CDC LLC	CLT	LEHC
90004	Beverly Vermont	Brilliant Corners	CLT LLC	CLT LLC	CLT LLC	LEHC
90043	Liberty	Venice Community Housing	CLT	CDC LLC	CLT	LEHC
91606	Beverly Vermont	Brilliant Corners	CLT LLC	CLT LLC	CLT LLC	LEHC
90007	T.R.U.S.T South LA	Habitat for Humanity - SGV	CLT LLC	CLT LLC	CLT LLC	LEHC
90006	T.R.U.S.T South LA	N/A	CLT	CLT	CLT	LEHC

5. LONG-TERM STEWARDSHIP

The CLT will need to raise funding and secure resources for ongoing operations, and members typically pay a monthly carrying charge (also known as maintenance fees) to the cooperative, which is a pro-rata share of actual operating costs, blanket debt principal and interest, property taxes, management fees, maintenance costs, shared utilities, insurance premiums, and reserves. This is yet to be determined and planned by the CLTs and partners.

In general, the CLTs expect that the tenant pays a low price for shares or membership, with each tenant buying a pro-rata share of the cooperative's blanket loan. The tenant-owner assumes the seller's obligations under the occupancy agreement. When a tenant-owner wishes to sell their membership share, their equity is limited through a resale pricing formula. Generally, a formula is used to determine the portion the selling member will receive of the increase in value of the cooperative interest and the pay-down of the cooperative mortgage. For an LEHC, each CLT will make its own decision about how to calculate a share price. In all cases, the combined total of share prices (the 'equity') cannot exceed 10 percent of the total development cost per laws governing LEHC, but it seldom comes close. Decisions about share price will be dependent on resident incomes and their savings, structuring the share price to be affordable for each household, and in a building with a greater mix of incomes can be structured for higher income households to help offset costs.

NEXT STEPS AND RECOMMENDATIONS

The County will continue to monitor the Pilot Program regarding the acquisition of both Chapter 8 and non-Chapter 8 properties for the purpose of affordable housing preservation. For the Chapter 8 properties, TTC is in the process of seeking Board and State approvals. Once the sale is finalized, the County will prepare agreements with the CLTs to convey the properties. The details of the agreements will ensure that owners and residents are not displaced and have information about homeownership opportunities through the CLT model.

Monitoring of the Pilot Program is necessary to ensure accountability and that the Board's vision and objectives are being met. The following summarize the Working Group's recommendations for continuing the CLT Partnership Program:

Program Guidelines

- Refine the grant agreement and guidelines and develop a standardized protocol for the program.
- For future site selection and prior to scaling, use the County's ARDI equity tools and the LACDA's and SAJE's TRACT platform to assess and prioritize vulnerable areas most at risk for displacement – prior to scaling.
- Follow the County's progress on the Board directive to research a viable land banking model, including relationships between CLTs and affordable housing land banks.[23]

Funding and Resources

- Leverage and braid State and local funding sources, including consideration of HCD's $500 million Foreclosure Intervention and Housing Preservation Program, the ARPA funds, and the County's Affordable Housing Programs Budget.
- Consider separating acquisition and rehabilitation financing into separate closings or providing an acquisition-only financing program.
- Identify staffing and resources necessary to scale this program, including staff at the TTC and LACDA, to research potential Chapter 8 properties and conduct due diligence on non-Chapter 8 selected properties, respectively.

Program Evaluation

- Select metrics and a third-party consultant to evaluate longer-term community and individual household outcomes on the Pilot Program.

[23] On March 1, 2022, the Board adopted a motion directing the CEO, in collaboration with the Department of Public Works, ARDI, Metro, and outside partners, to research a viable land banking model that would operate at a regional scale to support affordable housing preservation and production with a dedicated and ongoing source of funding. In response, the CEO submitted a Board report on June 3, 2022. On June 14, 2022, the Board directed the CEO to develop steps for the land bank pilot and secure at least $50 million in seed funding.

- Continue to review and apply lessons learned from the Pilot Program, including consideration of recommendations from an upcoming evaluation report on the Pilot Program by the Liberty Hill Foundation/ LeSar Development Consultants.

Appendix I – Survey Questions for CLT and CDC Partners

Community Land Trust (CLT):	
Community Development Corporation (CDC):	
Property:	

1. Describe your **overall experience in working with the County** on the Community Land Trust Pilot Project, including:

   a) Challenges
   b) Benefits
   c) Suggestions or recommendations you may have

2. Experience working with Tenants

   a. How receptive are the tenants to the co-op model?

   - Select one of the following: Very receptive Moderately receptive Neutral Not receptive Strongly opposed
   - Please provide detail explanation

   b. Please outline your process with key steps and an estimated timeline in the potential conversion to co-op.

Process	Key Steps	Estimated Date

   c. Have you received any specific feedback from tenants on the Pilot Program? Yes No

   If yes, please summarize.

   d. If you know of a tenant whom we may contact, please provide the tenant's name and contact information. Please indicate if any tenants are willing to be interviewed by Countywide Communications staff.

Name	Address	Phone	Email	Interview (Y/N)

   e. With the tenants' permission, please send any photos you would like to share of the tenants and property that we may include in the report and share with the public.

f. **Tenant Household Demographics and Information** (please complete per household)

Unit #:

Household Members	Relationship to HH	Gender	Age	Race/Ethnicity
Head of household (HH)				
Household member 1				
Household member 2				
Household member 3				

g. Please include an updated Tenant List with your submission

h. Previous housing history of head of household. Check box if yes. If checked, indicate number of years.

Check box to indicate	Number of years
Renter	
Homeowner	
Subsidized housing	
Living with family members	
Homeless	
Other, specify	

Unit #:

Household Members	Housing History	Length of time
Head of household (HH)		

3. Partnership experience
   a. Prior to this transaction, has the CDC ever pursued a CLT model before?

      What has the CDC learned about CLTs?

   b. Does the CDC plan to incorporate CLTs into their affordable housing portfolio?

      - Y/N change Select one of the following: Strongly agree Agree Neutral Disagree Strongly disagree
      - Please explain

   c. Prior to this transaction, has the CLT ever pursued an acquisition/rehab project? What has the CLT learned about the acquisition and rehab process and the financing required?

   d. Would the CLT feel comfortable conducting acquisition and/or rehab on their own moving forward?

- Select one of the following: Strongly agree Agree Neutral Disagree Strongly disagree
- Please explain

e. In CLT/CDC opinion, should a partnership model continue moving forward into a potential permanent program?

- Select one of the following: Strongly agree Agree Neutral Disagree Strongly disagree
- Please explain

4. Acquisition Process
   a. How was the property found/selected?
   b. Please describe any challenges in the current market.
   c. Was CLT conversion ever a selling point to the seller?
      - Select one of the following: Strongly agree Agree Neutral Disagree Strongly disagree
      - Provide any explanation

5. Rehab Process
   a. Please provide a full status update on the scheduled/ongoing rehab for the project.

6. Co-op conversion (if applicable, as of current date)

   a. How many properties elect to convert to co-op?
   b. What co-op model was selected?
   c. What are the roles of the co-op members vs the CLTs?
   d. What is the share price for each tenant? How was share price determined?
   e. What is the monthly housing cost for each tenant? How was monthly housing cost determined?
   f. How are monthly housing costs allocated?
   g. What are the challenges/benefits (according to co-op members and CLTs) to the co-op structure?
   h. What are the challenges/benefits to remaining as a rental property if a co-op model is not selected by the tenants?

7. Financial stability/feasibility (if applicable, as of current date)

   a. Is the property financially sustainable when relying on co-op model? Yes/No and please explain.
   b. Is the property financially sustainable when relying on the current rental model? Yes/No and please explain.
   c. Is required maintenance being completed? Yes/No and please explain if not.
   d. Will future loans/grants be required? Yes/No and please explain.
   e. Under a homeownership model, describe a plan for collection of monthly housing costs and property taxes

Appendix I – Survey Questions for CLT and CDC Partners

Appendix II – Analysis of Disadvantaged Areas at Risk for Displacement

Identification of disadvantaged and gentrified census tracts by Supervisorial District

This data is from the Urban Displacement Project. In comparing across all Supervisorial Districts, SD1 and SD2 have the highest proportion of census tracts that have gentrified or are disadvantaged. Any area that has been gentrified or is disadvantaged is defined to be at risk for displacement, referred to as "disadvantaged and gentrified tracts with displacement risk" in the table below.

Table 1: Total Disadvantaged Census Tracts by Supervisorial District

SD	Total Census Tracts	Total Disadvantaged & Gentrified Tracts/ Displacement Risk*	Disadvantaged not gentrified**	Gentrified 1990-2000	Gentrified 2000-2015	Gentrified both decades	Percent Disadvantaged & Gentrified Tracts/ Displacement Risk*
SD1	484	351	279	34	23	6	**73%**
SD2	469	350	302	24	23	1	**75%**
SD3	495	139	120	3	16	0	**28%**
SD4	448	132	123	5	4	0	**29%**
SD5	446	64	55	3	5	1	**14%**
Total	2,342	**1,036**	**879**	69	71	8	-

**See Table 2 for more information on methodology and definitions.

Table 2: Notes on Urban Displacement Project Methodology and County's Displacement Map

Indicator	
Disadvantaged neighborhoods are those census tracts that are "eligible" or susceptible to gentrification. A tract must meet all of the following criteria: 1. Population = 500 people 2. Any combination of at least 3 indicators: • % low income households > regional median • % college educated < regional median • % renters > regional median • % nonwhite > regional median	Total Tracts Disadvantage in 1990 only: Disadvantage in 2000 only: Disadvantaged both decades:

Gentrified neighborhood, once a census tract is determined to be "eligible", it is considered "gentrified or gentrifying" if it meets all of the following criteria: • Change in % college-educated > county (percentage points) • Change in % non-Hispanic white > county (percentage points) • Change in median household income > county (absolute value) • Change in median gross rent > change county median gross rent (absolute value)	Gentrified between 1990-2000 only: Gentrified between 2000-2015 only: Gentrified both decades:

Urban Displacement Project methodology was developed using the following indicators. However, please note that the County's Displacement Map methodology (Table 1) defines "disadvantaged only", when the area did not gentrify in either decade. Therefore, the total number of disadvantaged areas in the table above is slightly different than shown below.

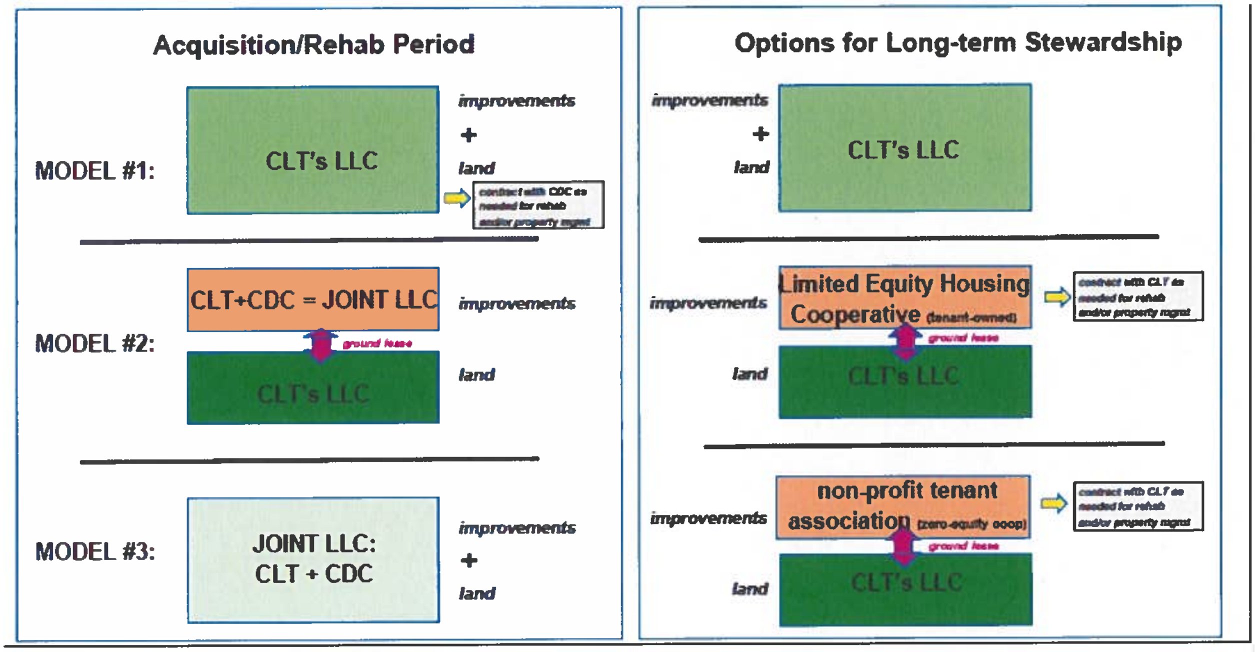
Appendix III – LACDA Due Diligence Checklist

LACDA Due Diligence CLT Checklist

July, 2021

Item	Required	1 Week	Closing	30 Days	90 Days
	TIMELINE / When to submit				
Physical Needs Assessment	X				
Phase I environmental site assessment	X				
Lead-based paint report	X				
Prelim title report	X				
Legal description of property	X				
Income limits (Health and Safety)	X				
Affordable housing costs/rents (TCAC)	X				
Project Budget	X				
Expected encumbrances/liens	X				
Scope of work	X				
Appraisal	X				
Certificates of insurance (Liability & Property)		X			
Estimated settlement statement (must reflect pending County funds)		X			
Purchase and Sale Agreement		X			
Escrow company, number, and officer information		X			
Demand letter for grant funds		X			
Wire instructions		X			
Organizational Chart		X			
Operations Agreement (if applicable)		X			
the GA		X			
Memorandum of Understanding		X			
Project Contact List (CLT, Property Mgmt., Contractor, etc.)		X			
Lease		X			
Lease Addendums		X			
Tenant List (occupancy report)		X			
Rehabilitation schedule (Draft)		X			
Vendor registration package (if applicable)		X			
Other acquisition funding commitments/sources of funds (if applicable)		X			
	POST-CLOSING				
				30 Days	90 Days
Title Report reflecting change in ownership (Within 2 weeks of closing)			X		
Executed GC Contract			X	X	
Rehabilitation schedule (Final)			X	X	
applicable)			X	X	
Notice to proceed			X		X
Property Management Plan (PM Fees $60)			X		X
Affirmative Fair Housing Marketing Plan			X		X
Grievance Procedures			X		X
Waitlist Procedures			X		X
Tenant Application			X		X
Tenant selection/application plan			X		X
Updated Tenant Listing			X	X	
Operating Reserves; Replacement Reserves			X	X	
Property Budget			X	X	
Relocation Plan (if applicable)			X		X

Appendix IV – Ownership Structures



There are two principle models for cooperative ownership:

Zero-equity or no-equity cooperative: Cooperative housing can also be under the ownership of a tenant association, which is established as a non-profit organization to own and manage the improvements. No equity accrues to the tenants because the households are not involved directly as owners. However, this cooperative structure does provide for resident control over property management. When combined with CLT stewardship, the cooperative can continue to be monitored and supported by the CLT. As with a LEHC, if ownership of the land and improvements is separated, the roles and responsibilities of the CLT and the tenant association can be memorialized through the ground lease. In some cases, a non-profit cooperative ownership structure can involve multiple properties, rather than just one, via a Mutual Housing Association (MHAs). The MHA is a nonprofit corporation that is governed by a Board of Directors that includes residents from the various buildings that are owned by the MHA but may also include area residents or professionals on the Board.

Alternatively, or as a transition step that would help residents prepare for cooperative ownership, is:

Rent Equity Program: Rent equity models are programs in which participating residents fulfill the requirements of their lease agreement. The agreement includes paying their rent on time, attending monthly resident meetings, and maintaining the property. Qualifying residents earn "equity credits" toward a cash payment. A Rent Equity Program integrates tenant engagement strategies that give residents an invested interest in managing their homes. Renter equity-based management systems require an accounting and bank account infrastructure that can assign value to a household's contribution by setting a schedule for earning credits. Some examples of how credits are backed include establishing program reserves in an account established by the property owner, which can be withdrawn as cash by the tenants after qualifying benchmarks have been met. A Rent Equity Program is one mechanism that could assist residents in saving to purchase cooperative shares when a building converts to a coop, while simultaneously supporting the residents in learning critical property management skills.

The following matrix summarizes the roles of Community Land Trusts and Housing Cooperatives:

	CLTs	**Limited Equity Housing Cooperatives**
Goal	CLTs assure housing (and other community assets) remain permanently affordable. Land and Housing must be affordable to low-income and moderate-income people	Housing Co-operatives own (or sometimes leases) the property/structure and the members, also called tenant-shareholders, jointly own the corporation.
Responsibilities	• CLTs steward land through ground leases. CLTs set up 99-year ground leases to structures on top of the land. Monitor and enforce terms of CLT ground lease. • CLTs collect ground lease fees. • CLTs partner and have a variety of housing ownership models. CLTs also work with limited equity models and co-operative housing to sell/resale housing or structures on top of land.	• Holds the mortgage (blanket mortgage) • As owner of the property, responsible for all legal and financial obligations.
Structure	• <u>Community-led board of directors'</u> structure that represents tenants of the land, at large community, and membership (identified in CLTs bylaws) of the CLT. • Provide property management • Administer repair and replacement reserves for properties. • Engage with subsidy source and lenders to acquire/rehab building initially, and then to support cooperative acquisition. • Intervene to prevent foreclosure in buildings on CLT land. • Collect, track, and report data on the CLT's performance and the success of its residents. • Maintain connections with homeowners and renters after they move into CLT homes. • Support and train tenants in creating and managing co-operative housing.	• <u>Member</u> pays a monthly fee, also called a carrying charge or maintenance charges, to the co-operative based upon number of shares or size of unit. • Buys stock, shares or membership certificates. Sometimes obtain loan to purchase the shares (share loan). The shares and proprietary lease or occupancy agreement guarantee the loan. • Signs self-renewing lease, called a proprietary lease or occupancy agreement. This gives them a legal exclusive right to occupy a unit as long as the members fulfills its obligations to the co-operative. • Total carrying costs include the monthly fee and, if they have secured a share loan, the individual share loan repayment. • Tenants, as determined by the occupancy agreement; and owners because of the shares held in the co-operative.

Sources: https://groundedsolutions.org/sites/default/files/2018-10/Community%20Land%20Trust%20Technical%20Manual_0.pdf#page=295
https://www.housinginternational.coop/co-ops/united-states-of-america/)

Figure 7: Summary of Funding Sources and Agreements for Pilot CLT Partnership program

Pilot Component	County Funding Source	Agreements
2. Non-Chapter 8 Properties	Affordable Housing Programs Budget	• Funding Agreement between CEO and LACDA • Affordable Housing Grant Agreement and Declaration of Covenants, Conditions, and Restrictions (between LACDA and CLTs) • Monitoring Agreement between LACDA and CLTs

VI. CONCLUSION

By partnering with mission-driven entities and community-based CLTs, the County is providing stable, affordable housing and homeownership opportunities for low to moderate income households. This shared equity model is one key strategy to prevent displacement, especially during the current economic crisis resulting from the COVID-19 pandemic.

As directed by the Board, for non-Chapter 8 properties, CEO will initially evaluate the Pilot Program after 90 days from execution of the grant agreement. The CEO will provide a status report and continue to evaluate the Pilot Program. The report back is to include geographic allocation of funding, the vetting process for potential acquisitions, and the process of completing any required improvements and rehabilitations. At that time, CEO will also provide an update on the progress of the Chapter 8 properties. After reviewing the results of the Pilot Program, the County may consider dedicated funding to ensure sustainability of a partnership program with CLTs and consider partnerships with other mission-driven entities as one strategy to preserve affordable housing and prevent displacement of residents from their own communities.