LACAHSA
THE AFFORDABLE
SOLUTIONS AGENCY

Proposed Program Overview:
LACAHSA Homeownership Program

The following is an overview of a program the Los Angeles County Affordable Housing Solutions Agency proposes to create for the purpose of facilitating the development and long-term affordability of homeownership opportunities throughout Los Angeles County ("the Program"). This document is in draft form and is intended to solicit feedback on program structure and proposed terms from various stakeholders.

1. Program Background

A. Overview. In 2022, the California Legislature passed Senate Bill 679, the Los Angeles County Regional Housing Finance Act ("SB 679" or "the Act"), which created the Los Angeles County Affordable Housing Solutions Agency ("LACAHSA" or "the Agency"). The Agency's purpose is to increase the supply of affordable housing in Los Angeles County by providing for significantly enhanced funding and technical assistance at a regional level for renter protections, affordable housing preservation, and new affordable housing production.

In 2024, Los Angeles County voters approved Measure A, a half-cent sales tax to fund homeless services and affordable housing development throughout the County. The tax replaces Measure H, a quarter-cent sales tax for homeless services approved by voters in 2017. The goal of Measure A is to significantly reduce and prevent homelessness in Los Angeles County. Measure A is expected to generate over $1 billion in revenue annually.

The Agency's proposed homeownership program is being developed within the broader Production, Preservation, and Ownership ("PPO") framework established by SB 679, Measure A, and the Agency's Program Guidelines. PPO resources are intended to increase the number of affordable housing units in Los Angeles County by supporting new affordable housing production, preserving existing affordable housing, and creating or maintaining affordable ownership opportunities. Within this framework, LACAHSA has an opportunity to design a homeownership program that addresses both production-side and buyer-side barriers, combining multiple tools into a long-term, flexible capital deployment platform.

B. Available Resources. The Agency anticipates making an initial allocation of $15 million to launch the proposed homeownership program, followed by approximately $10 million annually, subject to LACAHSA Board of Directors ("Board") approval, annual budget adoption, revenue availability, and any applicable programmatic requirements. Assuming a program rollout in the fourth quarter of 2026, approximately $25 million would be available at launch, reflecting the initial allocation together with the first year of annual funding. This initial budget would provide the capitalization necessary to establish the Program, fund early awards, and develop administrative infrastructure. The anticipated annual allocation would allow the Agency to continue assisting households on an ongoing basis, refine program terms based on early implementation experience, and potentially recycle recaptured Measure A funds into future assistance.

C. Program Development Objectives. As LACAHSA explores how best to leverage PPO resources for homeownership, the Agency intends to evaluate potential program models against a core set of objectives. Specifically, any final program should:

- ✓ Expand affordable ownership opportunities for low- and moderate-income households
- ✓ Support both near-term household access and longer-term creation or preservation of affordable ownership opportunities
- ✓ Deploy capital efficiently through existing delivery partners, where possible
- ✓ Fill unmet needs in the marketplace to enable new affordability opportunities that may not be feasible without LACAHSA assistance
- ✓ Preserve or recycle Measure A funds and promote organizational self-sufficiency
- ✓ Address different types of financial need with flexible tools that can successfully operate separately or in tandem

The proposed program described in the following sections is designed to meet all these objectives.

2. Program Authority and Design Options

A. Legal Framework. LACAHSA has broad authority to use Production, Preservation, and Ownership resources to support affordable housing production, preservation, acquisition, rehabilitation, ownership, and related subsidies. Within PPO, ownership products are an eligible category of tools intended to improve the affordability of existing ownership opportunities and increase the production or preservation of affordable homeownership opportunities.

This authority enables LACAHSA to consider a wide range of homeownership tools rather than limiting the Agency to a single product type. Authorized potential uses include:

- Assistance to individual homebuyers,
- Investments in community land trusts developing homeownership projects or shared-equity models,
- Support for limited- or shared-equity cooperatives, and
- Financing for affordable homeownership products such as manufactured homes, mobile homes, condominiums, townhomes, and other entry-level ownership opportunities.

Across each of these uses, Measure A and the Agency's Program Guidelines set two key requirements. First, homeownership assistance *must serve households at or below 80% or 120% of Area Median Income ("AMI")*, depending on the activity. Second, for programs that create or preserve affordable ownership opportunities (production-side assistance), each assisted unit must be subject to a recorded restrictive covenant that uses either a resale provision or a recapture provision—but not both—to promote long-term affordability, unless LACAHSA approves an alternative approach through a waiver. A resale provision limits the price at which an assisted home may be resold, ensuring it remains affordable for future buyers at or below 120% AMI while providing the original homeowner with a fair return on investment. A recapture provision requires the repayment of all or a portion of Measure A assistance when an assisted home is sold during the affordability period, with the amount recaptured not to exceed the net proceeds of the sale.

For buyer-side assistance, LACAHSA's loans are secured by a subordinate deed of trust and promissory note, which require repayment upon sale, refinance, transfer or repayment of the first mortgage—

ensuring that public funds are recovered and can be recycled into future assistance. Each assisted unit is also subject to a primary residence requirement. These requirements shape the design of each tool created under the Program and are addressed in the proposed product elements described below.[1]

The funding framework also preserves flexibility for program design. LACAHSA may begin with ownership uses that have been identified as eligible and may seek approval for additional activities that align with Measure A and the LACAHSA Act. As a result, the Program can be structured as a flexible platform that supports multiple policy objectives: helping households purchase homes, creating or preserving affordable ownership opportunities, and preserving or recycling public investment over time.

Given the scale of available funding, the Program should be designed to prioritize uses that are legally eligible, administratively feasible, and capable of advancing LACAHSA's broader production, preservation, and ownership goals. The appropriate mix of tools will depend on the Board's policy priorities, partner capacity, implementation timing, and the tradeoff among household reach, depth of subsidy, long-term affordability, and administrative complexity.

B. Eligible Ownership Uses. LACAHSA's homeownership funding may support several categories of ownership products. These tools can be used individually or combined as part of a broader program strategy. Homebuyer assistance tools may include down payment and closing cost assistance, soft-second mortgages, deferred-payment loans, forgivable loans, and interest-rate subsidies. These products are designed to reduce the upfront and ongoing cost barriers that prevent income-qualified households from purchasing homes. They are likely to be among the fastest and most efficient tools to deploy, particularly if administered through qualified intermediaries with existing origination, underwriting, servicing, and compliance capacity.

LACAHSA has also identified the creation of new affordable ownership opportunities as a policy priority, recognizing that buyer assistance alone does not increase the supply of homes that are affordable to low- and moderate-income households. Ownership production and preservation tools may include predevelopment financing, per-unit development subsidies, or other capital investments that support the creation or preservation of affordable ownership opportunities. These tools are intended to help fill unmet needs in the marketplace by supporting ownership opportunities that private market actors and existing public programs are not otherwise producing at sufficient scale. These may be appropriate where LACAHSA funds are needed to help make affordable ownership units feasible to produce, acquire, rehabilitate, or preserve.

3. Program Design Methodology

LACAHSA has evaluated potential homeownership program structures through a combination of legal review, program research, market assessment, and policy analysis, with the goal of identifying how LACAHSA can use available funding in a manner that is legally authorized, responsive to Board priorities, complementary to existing programs, and focused on gaps that current public resources do not fully address. As part of this work, LACAHSA assessed existing homeownership programs across Los Angeles and selected jurisdictions—including countywide and municipal homebuyer assistance, grant-based

[1] The structure of these required resale or recapture provisions applicable by product-type is subject to further review and approval by LACAHSA legal counsel.

assistance, restricted-resale and community land trust models, rehabilitation models, and foreclosure relief—examining the assistance offered, the populations and geographies served, the form of subsidy, the delivery infrastructure in place, and whether each program preserves or recaptures public investment. Please see **ATTACHMENT A** for a summary of the programs surveyed.

This review found that Los Angeles County homeownership assistance is focused primarily on buyer-side assistance and less on affordable unit production. The most common local program structure is down payment assistance ("DPA") or buyer-side subsidy, generally delivered through a soft-second, silent-second, or deferred subordinate loan; these structures are familiar to public agencies and lenders and can effectively help mortgage-ready households overcome down payment, closing cost, or acquisition gap barriers. The strongest of such programs recover public subsidy through shared appreciation, recapture, or repayment when a home is sold or refinanced. Long-term *production* tools are less prevalent. While some jurisdictions and nonprofit partners use restricted-resale, community land trust, shared-equity, or deed-restricted models, these approaches are not yet operating at the scale needed to materially expand affordable ownership supply, and few existing programs address the feasibility and cost barriers to creating, acquiring, rehabilitating, or preserving affordable ownership units. LACAHSA's funding could, therefore, add significant value both by expanding buyer-side assistance and by supporting opportunities that the market and existing programs are not otherwise producing.

Evaluated against LACAHSA's program objectives, the two categories of tools serve complementary roles: buyer-side assistance can deploy quickly, reach more households, and leverage existing administrative infrastructure of the many local buyer-side assistance programs, while production-side[2] tools fill unmet market needs, create or preserve affordable units, and sustain long-term affordability.

With program efficiency in mind, LACAHSA carefully considered where the Agency could partner with established programs rather than duplicate them. Existing agencies, jurisdictions, and nonprofit lenders have functional delivery infrastructure, and LACAHSA can add the most value by providing regional capital, setting standardized Measure A-compliant affordability and recapture requirements, supporting jurisdictions with limited capacity, and requiring matching resources from partners. Consistent with this approach, the Program is being designed around the following operating principles:

- LACAHSA expects to *deploy buyer-side assistance through existing intermediaries*—for example, a competitive solicitation that channels funds to qualified administrators and, where appropriate, requires matching resources—rather than building homeownership loan origination and servicing capacity itself.
- The Program is intended to *complement rather than compete with existing mortgage finance channels*, including the first-time homebuyer programs that already serve many income-qualified purchasers.
- LACAHSA anticipates a general preference for structures that recycle public funds into future assistance, reserving resale-restricted models for cases where such recycling is not possible.

Leveraging this existing buyer-side infrastructure would let LACAHSA reserve capital and administrative capacity for the gaps that other programs are least able to address—in particular, the production-side subsidy needed to make new affordable homeownership units feasible to produce and sell to income-

[2] Throughout this document, the term "production-side" is used broadly to describe tools that create net-new affordable units—either by constructing new income-restricted units or placing permanent income restrictions on existing units.

qualified buyers. These uses are more capital-intensive than standard buyer-side homebuyer assistance but can require less direct administrative infrastructure when deployed through experienced developers, allowing LACAHSA to address the shortage of flexible production and development capital for affordable ownership that is not otherwise financially feasible.

4. Proposed Program Elements

LACAHSA's proposed Homeownership Program is intended to expand affordable ownership opportunities across Los Angeles County by addressing the two sides of the affordable homeownership market. On the buyer side, the Program would help income-qualified households purchase and sustain homeownership, both in newly developed affordable units supported by LACAHSA and in other eligible affordable ownership opportunities available throughout the market. On the production side, the Program would help offset the cost of producing affordable for-sale homes—either by constructing new income-restricted units or placing permanent income restrictions on existing units.

The following figure provides an overview of the proposed program:

<table>
<tr><th colspan="3">Figure 1. Proposed Program Overview</th></tr>
<tr><td rowspan="3">Products</td><td>Buyer-Side Assistance</td><td>Production-Side Assistance</td></tr>
<tr><td>Closing Assistance
Down Payment Assistance Loan</td><td rowspan="2">Homeownership Production Grant</td></tr>
<tr><td>Mortgage-Payment Reduction
Interest-Rate Buydown Loan
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<tr><td>Primary Administrator</td><td>Local agencies, nonprofit organizations</td><td>LACAHSA</td></tr>
<tr><td>Method of Selection/Funding</td><td>RFP to agencies/non-profits</td><td>RFP to developers (both for-profit and non-profit)</td></tr>
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The following sections describe each proposed product in two parts: a general description of the product and the need it addresses, followed by an outline of proposed terms.

A. Buyer-Side Assistance

On the buyer side, the Program would help income-qualified households overcome the financial barriers that remain even when an affordable home is available. The most common and widespread barrier to homeownership facing income-qualified buyers is the upfront liquidity required for down payment and closing costs. For some households, Closing Assistance is all that is needed to complete a purchase. Other households, however, also face a monthly payment affordability barrier. After the full down payment and closing costs are covered, the monthly payment on the remaining first mortgage exceeds what household income can sustainably support at current prices and interest rates. The Program's buyer-side products are, therefore, designed to be layered where necessary, rather than mutually exclusive. It is expected that nearly every assisted buyer would receive Closing Assistance (unless other sources contributed by the buyer reach the required 20% down payment), and the Mortgage-Payment Reduction products would provide additional subsidy where an Affordability Gap[3] remains after Closing Assistance. Distinguishing which need is being subsidized is important to the structure and terms of each product and allows the Program to provide the proper type of subsidy, and only as much subsidy as, each purchase requires.

For this reason, there are two Buyer-Side Assistance product categories consisting of three products: **Closing Assistance**, offered as a Down Payment Assistance Loan product, and **Mortgage-Payment Reduction**, offered as an Interest-Rate Buydown Loan product and/or Principal-Reduction Loan product. The products may be used individually or layered together within a single purchase, depending on the buyer's need and the transaction. Where products are layered, assistance would be applied in a deliberate order:

1. The buyer's own funds (the buyer will be required to contribute at least 2% of the purchase price as a down payment),
2. Any other non-LACAHSA downpayment assistance,
3. LACAHSA DPA Loan,
4. LACAHSA Interest-Rate Buydown Loan,
5. LACAHSA Principal-Reduction Loan (used only where an Affordability Gap remains).

Both the Down Payment Assistance Loan and Interest-Rate Buydown Loan are proposed to be structured as subordinate, zero-interest, deferred loans. No payments would be due during the loan term, and LACAHSA would be repaid only when the home is sold, refinanced or transferred, or when the first mortgage is repaid. Each buyer-side loan would be secured by a subordinate deed of trust and promissory note, which require repayment upon those triggering events, consistent with Measure A and Program Guidelines. Each assisted home must be used as the buyer's primary residence. The Principal-Reduction Loan is proposed to be structured as a shared-appreciation loan. However, when Down Payment Assistance Loans and/or Interest-Rate Buydown Loans are combined with a Principal-Reduction Loan, the total amount of principal borrowed from LACAHSA and its matching agency partners will be combined into a single shared-appreciation structure, as described in **Section 4.C.** below.

When selecting partners for these products via an RFP process, LACAHSA intends to give preference to nonprofits and other countywide entities that that do not already receive significant homeownership funds from LACAHSA.

A.1. Closing Assistance

The Down Payment Assistance Loan ("DPA Loan") would address the upfront cash barrier, helping the buyer meet down payment and closing cost requirements. This is the most common form of assistance offered by existing local programs as this is the widespread need facing borrowers that are otherwise mortgage-ready. Because Closing Assistance is the first subsidy applied, the maximum DPA Loan can be determined before the buyer's first mortgage is locked: the buyer brings 2% of the purchase price in cash

[3] *Throughout this document, the term "Affordability Gap" refers to the difference the monthly costs a household at a given AMI level can afford (assuming 30% of income is spent on housing costs) and what a homeownership unit costs.*

to closing, other available DPA subsidy is applied next, and the assistance offered by LACAHSA and its matching agency partner fills the remainder up to 20% of the purchase price.

LACAHSA would not originate or service DPA Loans directly. Instead, LACAHSA would partner with local agencies and nonprofits already operating DPA programs, selected through a competitive RFP. LACAHSA would bring significant matching capital and pay a reasonable, capitalized administration fee (paid upfront and subject to true-up upon sale or refinancing); the partner agency would continue operating its program largely as it does today, making any adjustments required to comply with LACAHSA guidelines, and would originate the assistance, monitor the loan, and administer repayment to LACAHSA when applicable. LACAHSA's funds would be advanced and repaid *pari passu* with the partner's funds.

The DPA Loan would be sized within three guardrails:

- Total down payment from all sources—the buyer's own funds plus all assistance—would not exceed 20% of the purchase price, consistent with the cap used by the County's largest existing program (LACDA's Home Ownership Program) and consistent with industry standards.
- Buyers would be required to contribute at least 2% of the purchase price from their own funds. A meaningful buyer contribution is an essential component of successful homeownership programs and is consistent with existing local requirements.
- LACAHSA would match the partner agency's assistance dollar-for-dollar: up to 9% of the purchase price from the local agency and up to 9% from LACAHSA, not to exceed $75,000 per household, together filling the remaining 18% of the down payment.

Simply put, the LACAHSA DPA Loan formula is:

Total Down Payment (up to 20% of Purchase Price) - (Buyer Contribution of at least 2% + Other Available DPA, including Local Agency match up to 9%) = LACAHSA DPA Loan (not to exceed 9%)

Product terms are summarized in ***Figure 2*** below.

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Figure 2. Summary of Preliminary Terms: Down Payment Assistance Loan	
Borrower	Income-qualified household at or below 120% AMI per Program Guidelines; Primary residence required; First-time homebuyer (consistent with local program requirements)
Amount	Up to 9% of purchase price, not to exceed $75,000 from LACAHSA; Matched by partner funds (though partners may contribute more than 50% if desired); Total down payment from all sources capped at 20% of purchase price; Minimum 2% buyer contribution
Rate / Payments	0% interest; Fully deferred; No monthly payments
Security	Subordinate deed of trust and promissory note, junior to first mortgage and pari passu with partner DPA lien
Repayment	Principal due in full upon sale, refinance, transfer, repayment, or maturity of the first mortgage, consistent with Measure A and Program Guidelines
Occupancy	Primary residence required
Delivery	Originated, serviced, and monitored by RFP-selected partners under their existing programs (adjusted as needed to comply with LACAHSA guidelines) or otherwise using their existing capacity; Partner administers repayment to LACAHSA; LACAHSA pays partner an administration fee

A.2. Mortgage-Payment Reduction

The Mortgage-Payment Reduction products would provide additional subsidy where an Affordability Gap still exists after Closing Assistance. The monthly payment Affordability Gap is where the household cannot support the monthly payment on the first mortgage that remains after the 20% down payment is accounted for. The total Mortgage-Payment Reduction gap would be determined as follows:

Purchase Price - Total Down Payment (20% of Purchase Price) = First Mortgage Needed

Supportable Monthly Payment = 35% of Household Monthly Income for PITI, HOA Fees, and Utilities

Monthly Payment on First Mortgage Needed - Supportable Monthly Payment = Mortgage-Payment Reduction Gap

The supportable monthly payment can then be converted into a supportable first-mortgage size. Therefore, the monthly payment on the supportable first mortgage equals the supportable monthly payment at the prevailing interest rate and a 30-year term. Two products are proposed to be available to close the gap between the first mortgage needed and the supportable first mortgage, applied in order: the Interest-Rate Buydown Loan (“IR Buydown Loan”) first, and then, only where additional subsidy is still needed, the Principal-Reduction Loan (“PR Loan”).

Interest-Rate Buydown Loan

Under the IR Buydown Loan, LACAHSA would purchase discount points directly from the first mortgage lender at closing, permanently reducing the interest rate on the buyer’s first mortgage and, with it, the monthly payment. Each point generally costs 1% of the first mortgage amount, with the rate reduction per point set by the lender (assumed in LACAHSA's modeling to be 0.25%). Because a lower rate increases the mortgage principal amount a given income can support, the IR Buydown Loan stretches the buyer's purchasing power without increasing debt against the home beyond the cost of the points.

The loan would be sized as the cost of the points needed to reduce the monthly payment to the supportable level, though LACAHSA expects there to be a limit to the number of points lenders will allow the Agency to pay. LACAHSA's current modeling assumes a maximum of five points, reducing the interest rate by 1.25%.

The IR Buydown Loan would be sized as follows:

Cost of Discount Points Required to Reduce the Monthly Payment to the Supportable Level (subject to a to-be-determined rate floor and/or point maximum) = IR Buydown Loan Amount

Product terms are summarized in ***Figure 3*** below.

Figure 3. Summary of Preliminary Terms: Interest-Rate Buydown Loan	
Borrower	Income-qualified household at or below 120% AMI per Program Guidelines; Primary residence required
Amount	Cost of discount points purchased at closing, paid directly to first mortgage lender; LACAHSA to determine any applicable rate floor and/or point maximum
Rate / Payments	0% interest; Fully deferred; No monthly payments
Security	Subordinate deed of trust and promissory note
Repayment	Principal due in full upon sale, refinance, transfer, or repayment of the first mortgage, consistent with Measure A and Program Guidelines
Occupancy	Primary residence required
Sequencing	Used before any Principal-Reduction Loan; may be combined with the DPA Loan

Principal-Reduction Loan

The PR Loan is proposed to be the Program's deepest form of buyer assistance, used only where a gap remains after the buyer's own funds, down payment assistance, and a maximized interest-rate reduction buydown. The PR Loan directly reduces the first-mortgage principal the buyer must borrow, reducing the total monthly payment to a supportable level based on the household's income, down to 80% AMI levels.

Because it provides the deepest subsidy, use of the PR Loan changes how LACAHSA assistance is repaid. When a PR Loan is part of a purchase, all LACAHSA assistance in that purchase—DPA Loan, IR Buydown Loan, and PR Loan—is combined into a single subordinate, zero-interest, deferred loan with shared appreciation terms. The total LACAHSA Loan would be structured as a shared appreciation loan under which LACAHSA is repaid its principal plus a share of the increase in the home's value when the home is sold, refinanced, or the first mortgage is repaid. LACAHSA's share of appreciation would be proportional to its investment (the LACAHSA Loan divided by the purchase price of the home), capped at 50% so the homeowner always keeps at least half of the home's appreciation, in addition to all equity built through principal paydown and the value of their own down payment. For example, if combined LACAHSA assistance equals 15% of the purchase price, LACAHSA would receive 15% of the home's appreciation at repayment and the homeowner would keep the other 85%; if combined assistance were ever to exceed 50% of the purchase price, LACAHSA's share of appreciation would still be limited to 50%. Shared appreciation is the established structure among the County's largest existing programs and allows repaid funds to keep pace with home prices, so recycled subsidy retains its purchasing power for the next buyer.

This structure serves two purposes. It reserves the Program's deepest level of subsidy for the households that truly need it to access homeownership, and it allows LACAHSA to recapture and recycle subsidy for future affordability while those households still purchase homes and build meaningful wealth.

To determine if a PR Loan is needed, affordability gap remaining after all other sources, must be calculated:

Purchase Price - Total Down Payment (Buyer Contribution + all DPA) - Supportable First Mortgage (after IR Buydown Loan) = PR Loan Need

Product terms are summarized in ***Figure 4*** below.

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Figure 4. Summary of Preliminary Terms: Principal-Reduction Loan	
Borrower	Income-qualified household at or below 120% AMI per Program Guidelines; Primary residence required
Amount	Remaining affordability gap after buyer contribution, DPA, and maximized IR buydown
Rate / Payments	0% interest; Fully deferred; No monthly payments
Shared Appreciation	When a PR Loan is used, all LACAHSA assistance (DPA Loan, any IR Buydown Loan, and the PR Loan) is combined into a single loan; At repayment, LACAHSA receives the combined principal plus a share of home appreciation equal to total LACAHSA assistance as a percentage of the original purchase price, capped at 50% of appreciation
Security	Subordinate deed of trust and promissory note
Repayment	Due in full upon sale, refinance, transfer, or repayment of the first mortgage
Covenant	Recorded restrictive covenant with recapture provision per Measure A and Program Guidelines
Sequencing	Used only after the IR Buydown Loan is maximized; When used, all LACAHSA buyer-side assistance in the purchase is consolidated into a single loan on these terms

B. Production-Side Assistance

On the production side, LACAHSA proposes to provide capital to help developers—including for-profit and nonprofit builders and other eligible partners—create or preserve affordable ownership opportunities that cannot be delivered by the market alone. In most cases, the cost to acquire land and develop housing exceeds the price that income-qualified households can afford to pay. In some cases, total development cost can even exceed the appraised market value of the completed home. Affordable homeownership developments, therefore, often face both a development value gap and an affordability gap. LACAHSA's production-side subsidy would bridge these gaps so projects can move forward and homes can be sold at prices affordable to eligible households.

When selecting partners for this product via an RFP process, LACAHSA intends to give preference to nonprofit developers.

B.1. Homeownership Production Grant

The Homeownership Production Grant ("Production Grant") would be a per-unit capital subsidy awarded to prospective sellers of affordable for-sale homes through a competitive RFP administered directly by LACAHSA. Eligible projects would include new single-family homes, condominiums, accessory dwelling units, and other types of units that create lasting affordability, as well as existing properties not currently subject to affordability restrictions.

The Production Grant would be sized, on a per-unit basis, to fill the gap between the cost to produce the home (or its appraised market value, if lower) and the price affordable to a household at 120% of AMI:

Total Development Cost or Appraised Market Value, if lower - Sale Price Affordable at 120% of AMI = Production Grant (per unit)

For new-construction units, because the Production Grant will be available as early as pre-development and thus the grant amount would be sized against estimated costs and values that change over a development timeline, the Production Grant would include safeguards to ensure LACAHSA pays no more subsidy than each home actually requires:

- **Loan before grant.** LACAHSA assistance would be structured as a loan during pre-development and construction, and loan sizing would be finalized and the loan amount forgiven only after closing on the unit by a qualified buyer and recordation of the permanent 120% AMI restriction. Accordingly, LACAHSA would require a completion guarantee from a financially strong entity during pre-development and construction until the loan is eligible for forgiveness.
- **True-up before closing.** The final grant for each unit would be set before the home purchase closes, based on final development costs, the final appraisal, the actual contract sale price, and full disclosure of all other subsidy sources. If the gap narrows between award and final sale—because, for example, costs come in lower or value comes in higher—the grant would be reduced accordingly.
- **TDC standards.** Production Grant sizing would adhere to LACAHSA total development cost ("TDC") guidelines and eligible-cost requirements, applied consistently across projects, to avoid subsidizing ineligible costs or cost overruns.
- **Per-unit cap.** The Production Grant would be capped at the lesser of 30% of total development cost or 250,000 per unit.

For existing market-rate units without current permanent affordability restrictions, sellers may receive a Production Grant for the difference between the unit's unrestricted market value and the unit's value as restricted at the 120% AMI level (based on value conclusions substantiated by a LACAHSA-approved appraisal).

Each assisted home would be sold to an income-qualified, owner-occupant buyer and would be subject to a recorded restrictive covenant using resale restriction/recapture provision, consistent with Measure A and the Program Guidelines. Buyers of Production Grant-assisted homes could also qualify for Buyer-Side Assistance, allowing the Program's tools to work together on the same unit.

Product terms are summarized in ***Figure 5*** below.

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Figure 5. Summary of Preliminary Terms: Homeownership Production Grant	
Recipient	For-profit and nonprofit developers selected via RFP (with a preference for nonprofits)
Amount	Per-unit gap between total development cost or appraised market value, if lower, and the sale price affordable at 120% AMI; Not to exceed lesser of 30% of TDC per unit
Form	Grant to the project, subject to true-up; For new-construction projects, funds initially awarded as a loan forgivable upon recordation of permanent restriction and occupancy by an income-eligible buyer
Buyer Requirements	Income-qualified buyer at or below 120% AMI; Primary residence; Buyer may layer Buyer-Side Assistance products
Covenant	Recorded restrictive covenant on each assisted unit using resale restriction/recapture provision per Measure A and Program Guidelines
Safeguards	Pre-closing true-up against final TDC, final appraisal, and actual contract price; Adherence to TDC guidelines and eligible-cost requirements; Full disclosure of all other subsidy sources; Contract sale price must equal appraised value
Administration	Administered directly by LACAHSA; RFP to developers

C. Using the Products Together

The Program's products are designed to work together. Some households will need only Closing Assistance, others will layer Closing Assistance with an Interest-Rate Buydown Loan and, where needed, a Principal-Reduction Loan; and a buyer of a Production Grant-assisted home can use a variety of combinations of the buyer-side products to complete the purchase. Connecting the buyer-side and production-side tools allows public investment to do two things at once: create new permanently affordable ownership opportunities and ensure that eligible households can successfully access them.

To keep transactions simple for borrowers and lenders, layered buyer-side assistance would be documented as a single subordinate loan rather than several separate loans, and that loan would carry the terms of the deepest subsidy product used. A buyer combining Closing Assistance with an IR Buydown Loan would have one loan on IR Buydown Loan terms—a distinction with little practical effect, since both products are zero-interest, deferred, and repaid on the same triggers. Where a purchase requires a PR Loan, however, all LACAHSA assistance would be combined into a single shared appreciation loan, as described in **Section A.2.** above.

Please see **ATTACHMENT B** for a chart with product layering options and requirements.

D. Program Benefits

Together, these products position the Program to fill areas of need that are less often addressed and that have fewer existing subsidy sources, specifically Mortgage-Payment Reduction and supporting the production of new affordable for-sale homes, while building on the County's established assistance infrastructure. The result is a flexible homeownership investment platform that increases the supply of affordable for-sale homes, helps eligible buyers purchase them, preserves affordability over time, and recycles public resources where feasible—using Measure A resources in a responsible and sustainable way to advance affordability, equity, and long-term stewardship in line with LACAHSA's policy and program objectives.

Figure 6 below illustrates how each product could be used to assist a prospective homebuyer earning 80% of AMI.

Figure 6. Benefits to Homebuyers by Product

	Base Case (No Assistance)	Homeownership Production Grant	Down Payment Assistance Loan	Interest-Rate Buydown Loan	Principal-Reduction Loan
Description	Market-rate scenario based on L.A. County average home price an a 30-year fixed-rate mortgage with 6.5% interest rate	Funds production-side delta between market-rate sale price and sale price at 120% AMI**	Funds 18% of homebuyer's down payment	Funds buydown of conventional mortgage rate by up to 5 points (1.25%)	Funds difference between 80% AMI** affordability and all other subsidy
Sale Price	$750,000	$507,200 (-$242,800)	$750,000	$750,000	$750,000
LACAHSA Funds Contributed	$0	$242,800	$67,500	$15,000	$168,027
Required Down Payment*	$150,000	$101,440 (-$48,560)	$15,000 (-$135,000)	$150,000	$150,000
Required Monthly Mortgage Payment	$3,792	$2,565 (-$1,228)	$3,792	$3,313 (-$479)	$1,668 (-$2,124)

** Assumes 20% down payment and no private mortgage insurance*
*** Official 2026 HUD income limits adjust limits for Low-Income (80% AMI) households higher than Moderate-Income (120% AMI) households; for demonstration purposes, 80% and 120% AMI income limits based on a straight-line calculation of L.A. County median income.*

In this example, on the production side, LACAHSA provides $242,800 under the Production Grant, which results in a homeownership unit permanently affordable at 120% AMI. LACAHSA does not expect to have any financial return on Production Grant allocations.

On the buyer side, the borrower receives $67,500 in down payment assistance from LACHASA's DPA Loan product, $15,000 in an Interest-Rate Buydown Loan, and $168,027 to reduce the first-mortgage principal through the Principal-Reduction Loan. The total buyer-side LACAHSA subsidy is $250,527. Because the borrower utilized the Principal-Reduction Loan, the repayment is structured as a zero-percent, deferred shared appreciation loan. Total LACAHSA subsidy, in this case, equals approximately 33% of the $750,000 purchase price, below the 50% cap on shared appreciation. In this example, LACAHSA expects to be repaid the $250,527 in principal plus 33% of the appreciated value. Assuming the home appreciates 5% annually over the 10-year period to $1,221,671, LACAHSA would be allocated 33% of the $471,671 increase in value, or $157,555 that could be reinvested into the Program along with the recycled principal.

5. Feedback and Next Steps

LACAHSA welcomes public input as we refine this program concept. After reviewing this overview document, you are encouraged to share comments and questions on any element of the proposed design, including tools or approaches you would like to see emphasized, adjusted, or added. Please provide initial comments by [TIME] on [DATE]. All feedback should be provided via email, sent to following address: [ADDRESS].

Once feedback has been compiled and reviewed, LACAHSA will convene an information and listening session to discuss comments, answer questions, and identify any areas where additional analysis would be helpful before the Program advances.

DRAFT 6/18/2026

ATTACHMENT A

Summary of Representative Homeownership Programs

Down Payment & Closing Cost Assistance / Soft-Second Loans					
Program	Administrator	Geography Served	Assistance & Income Targeting	Structure, Restrictions & Affordability	Status
Home Ownership Program (HOP)	L.A. County Development Authority (LACDA)	Unincorporated L.A. County + 47 participating cities	Lesser of **$100,000** or **20%** purchase price; serves first-time homebuyers at or below **80% AMI-120% AMI** (HOP80/HOP120)	0% interest, deferred; secured by deed of trust Shared equity / appreciation recapture Repaid on sale, transfer, or loss of owner-occupancy	Active
Low Income Purchase Assistance (LIPA)	Los Angeles Housing Department (LAHD)	City of Los Angeles	Up to **$161,000**; serves first-time homebuyers at or below **80% AMI**	0% interest, deferred; Shared Appreciation Due on sale, transfer, first mortgage repayment, or 30-yr balloon	Active
Moderate Income Purchase Assistance (MIPA)	Los Angeles Housing Department (LAHD)	City of Los Angeles	Up to **$115,000**; serves first-time homebuyers between **81%-120% AMI**	0% interest, deferred; Shared Appreciation Due on sale, transfer, first mortgage repayment, or 30-yr balloon	Active
First Time Home-Buyer Program (FTHB)	City of Pomona	City of Pomona	Up to **$100,000**; serves first-time homebuyers at or below **80% AMI**	0% interest, deferred; Shared Appreciation Due on sale, refinance, transfer, or maturity (15/20/30 years depending on funding source) Equity share forgiven pro-rate per year of owner-occupancy; principal always repaid	Active
Down Payment Assistance Program	Habitat for Humanity of Greater L.A.	Greater L.A. County	Up to **$100,000**; serves first-time homebuyers at or below **80% AMI**	0% interest, payable at 30-year maturity; Funded by CalHome	Out of funds
California Dream for All Shared Appreciation Loan	California Housing Finance Agency (CalHFA)	State of California	Lesser of **$150,000** or **20%** purchase price, serving first-time homebuyers with income restrictions based on county	Interest rate varied based on financial circumstances and lender terms Shared Appreciation based on income level (20% vs 15% depending on AMI tier) Due on sale, transfer, or first mortgage repayment	Active

Grant-Based Down Payment & Closing Cost Assistance					
Program	Administrator	Geography Served	Assistance & Income Targeting	Structure, Restrictions & Affordability	Status
Greenline Home Program	L.A. County DBCA / L.A. County Center for Financial Empowerment	L.A. County	Up to **$35,000** grant for first-time at or below **80% AMI-120% AMI**; priority for low-income residents and residents living in high-need areas	Grant funding; 3-year owner-occupancy requirement with 3-year lien Requires 3% buyer funding contribution	Active

First-Time Homebuyer Assistance Program (FTHBP)	City of Long Beach	City of Long Beach	Up to **$25,000** grant prioritizing first-time homebuyers located within Community Development Block Grant (CDBG) areas in Long Beach; expanded to city-wide eligibility for first-time homebuyers up to **200% AMI**	Long-term resale/recapture terms not disclosed	Closed
Mortgage Credit Certificates					
Program	Administrator	Geography Served	Assistance & Income Targeting	Structure, Restrictions & Affordability	Status
Mortgage Credit Certificate	LACDA	Eligible unincorporated L.A. County jurisdictions and participating cities	Federal income tax credit of **up to 20% of annual mortgage interest** for eligible households, qualifying income/purchase price limits vary by target area.	Not a cash subsidy; raises effective affordability through tax-credit support.	Active
Mortgage Credit Certificate	LAHD	City of Los Angeles	Provides a federal income tax credit of **up to 20% of annual mortgage** for eligible households; meant for first-time low- and moderate-income buyers and can increase qualifying income for the first mortgage.	Not a cash subsidy; raises effective affordability through tax-credit support. Part of LAHD first-time buyer suite (paired with MIPA)	Active
Restricted-Resale / Long-Term Affordable Ownership					
Program	Administrator	Geography Served	Assistance & Income Targeting	Structure, Restrictions & Affordability	Status
Inclusionary Deed-Restricted For-Sale Homes	City of Pasadena	City of Pasadena	Deed-restricted for-sale units from the Inclusionary Housing Ordinance (since 2001) and density bonus Serves very low-, low-, and moderate-income buyers; 96 for-sale units to date	**45-year for-sale deed restriction** (rental units restricted in perpetuity) Income, occupancy, and resale restrictions City exploring increasing the for-sale term to perpetuity	Active

ATTACHMENT B

Product Layering Options and Requirements

	Subsidy Terms	Recapture/Repayment	Notes
Down Payment Assistance Loan	**Soft-Second Loan** 0% interest; Fully deferred; No monthly payments	Principal due in full upon sale, refinance, transfer, or repayment of the first mortgage	All tools can be used in combination with the Homeownership Production Grant, which subsidizes the project to a 120% AMI affordability level. Layered subsidy would cover the gap from 120% AMI affordability to the target AMI level for the applicable program, ***not*** the total gap from market pricing.
Interest-Rate Buydown	**Soft-Second Loan** 0% interest; Fully deferred; No monthly payments	Principal due in full upon sale, refinance, transfer, or repayment of the first mortgage	All tools can be used in combination with the Homeownership Production Grant, which subsidizes the project to a 120% AMI affordability level. Layered subsidy would cover the gap from 120% AMI affordability to the target AMI level for the applicable program, ***not*** the total gap from market pricing.
Down Payment Assistance Loan + Interest Rate Buydown	**Soft-Second Loan** 0% interest; Fully deferred; No monthly payments	Principal due in full upon sale, refinance, transfer, or repayment of the first mortgage	All tools can be used in combination with the Homeownership Production Grant, which subsidizes the project to a 120% AMI affordability level. Layered subsidy would cover the gap from 120% AMI affordability to the target AMI level for the applicable program, ***not*** the total gap from market pricing.
Interest-Rate Buydown Loan + Principal Reduction Loan	**Shared Appreciation Loan** 0% interest; Fully deferred; No monthly payments	At repayment, LACAHSA receives the combined principal plus a share of home appreciation equal to total LACAHSA assistance as a percentage of the original purchase price, capped at 50% of appreciation	All tools can be used in combination with the Homeownership Production Grant, which subsidizes the project to a 120% AMI affordability level. The DPA, IR Buydown, and PR loans are sized to cover the remaining gap from 120% AMI affordability to the target AMI level for the applicable program, ***not*** the total gap from market pricing. The Principal-Reduction Loan is not permitted as standalone subsidy and must be applied in combination with the Interest-Rate Buydown Loan. The Principal-Reduction Loan is designed to cover the remaining need after the interest rate has been reduced to the furthest extent allowable, and will be sized accordingly.

Down Payment Assistance Loan + Interest Rate Buydown Loan + Principal Reduction Loan	**Shared Appreciation Loan** 0% interest; Fully deferred; No monthly payments	At repayment, LACAHSA receives the combined principal plus a share of home appreciation equal to total LACAHSA assistance as a percentage of the original purchase price, capped at 50% of appreciation	All tools can be used in combination with the Homeownership Production Grant, which subsidizes the project to a 120% AMI affordability level. The DPA, IRB, and PR loans are sized to cover the remaining gap from 120% AMI affordability to the target AMI level for the applicable program, ***not*** the total gap from market pricing. The Principal-Reduction Loan is not permitted as standalone subsidy and must be applied in combination with the Interest-Rate Buydown Loan. The Principal Reduction Loan is designed to cover the remaining need after the interest rate has been reduced to the furthest extent allowable, and will be sized accordingly.