

Addendum to State Rental Assistance Program Guidelines – Emergency Rental Assistance (ERA) Rounds 1 and 2 Implementation

State ERAP Short-Term Cashflow Loans

The following apply to all cashflow loans made by the Department pursuant to Senate Bill No. 115, Budget Act of 2021 (Chapter 2, Statutes of 2022).

I. Authority

On February 9, 2022, the Budget Act of 2021 (“Budget Act”) was signed into law. Section 3 of the Budget Act establishes short-term cashflow loans for eligible Option B jurisdictions participating in the Emergency Rental Assistance Program. This addendum to the State Rental Assistance Program Guidelines – Emergency Rental Assistance (ERA) Rounds 1 and 2 Implementation is intended to implement the requirements of Section 3 of the Budget Act. Health and Safety Code section 50897.1, subdivisions (k)(1) and (2), which the Budget Act incorporates, authorize HCD to adopt, amend, and repeal rules, guidelines, or procedures necessary to carry out the foregoing.

II. Cashflow Loans

A. Eligibility

Eligible Option B jurisdictions may request a short-term cashflow loan from the Department for ERA expenditures (including allowable administrative costs) on Completed Applications for eligible rent and utilities assistance as described in Health and Safety Code section 50897.1 subdivision (b) (“Cashflow Loan”). Such Completed Applications must be received on or before March 31, 2022 for rent and/or utilities due on or before March 31, 2022.

An applicant for a Cashflow Loan must have applied for Reallocation Funding from the U.S. Treasury either in November 2021 or January 2022 to be eligible for a Cashflow Loan from the Department. Any Cashflow Loan made by the Department pursuant to this Addendum shall not exceed the amount of Reallocation Funding requested by the applicant from the U.S. Treasury. Written proof of such amount requested must be provided to the Department when applying for a Cashflow Loan.

Applicants and recipients for/of Cashflow Loans must continue to apply for the U.S. Treasury Reallocation Funding process, inclusive of ERA1 and ERA2, and must provide the Department written proof of such efforts.

B. Appropriate uses

Use of Cashflow Loan funds is restricted to allowable payments for rent arrears, utility arrears, and local administrative expenses, as defined in the U.S. Treasury’s guidance

State Rental Assistance Program

related to ERA2. Assistance provided with funds from Cashflow Loans is limited to rent and/or utilities due on or before March 31, 2022 for eligible households as defined by federal law and described elsewhere in the State Rental Assistance Program Guidelines.

C. Applications

In order to be eligible for a Cashflow Loan from the Department, an applicant for a Cashflow Loan must provide the following:

- (1) A properly adopted resolution from the applicant's governing board authorizing application for and acceptance of the Cashflow Loan from the Department;
- (2) Documentation evidencing the average monthly number of households assisted and dollar assistance provided by the applicant using ERA funds;
- (3) Proof, as demonstrated by the November 2021 or January 2022 Reallocation Request submitted to the U.S. Treasury, that the applicant has demand for assistance that exceeds all federal ERA funds received by the applicant (including any reallocated dollars that the U.S. Treasury makes available);
- (4) Any other documents or information requested by the Department.

D. Disbursements

Once the required application items listed above in II.C hereof and all other required documentation, including an executed Standard Agreement, have been received by the Department in a condition satisfactory to the Department, the Department will make the Cashflow Loan funds available.

Any Cashflow Loans made by the Department will be distributed to successful applicants on a monthly basis and will account for the applicant's ability to process payments and distribute funds to recipients or clients.

For any Cashflow Loans made by the Department, the Department will initially fund 40 percent of the approved Cashflow Loan amount ("Initial Loan Amount"). Once the Cashflow Loan recipient has demonstrated to the Department that it has expended 75 percent of the Initial Loan Amount, then the Department will make 50 percent of the remaining 60 percent available to the Cashflow Loan recipient ("Second Loan Amount"). Once the Cashflow Loan recipient has demonstrated to the Department that it has expended the Initial Loan Amount and 75 percent of the Second Loan Amount, then the Department will make the remaining amount available to the Cashflow Loan recipient.

If the Cashflow Loan recipient is processing a payment (payfile) with assigned state Cashflow Loan dollars immediately prior to federal reallocation funds being made available, that payfile may proceed. However, the Cashflow Loan recipient must expend the reallocated federal funds made available for subsequent payfile(s) until such time as no federal funds remain. When the Cashflow Loan recipient has exhausted the federal

State Rental Assistance Program

reallocated funds, it may use remaining Cashflow Loan funds to fund eligible households for allowable assistance during the covered period.

Additional mechanics of the Cashflow Loan are detailed in the Standard Agreement between the Department and recipient.

E. Reporting

Financial reports specifically related to the use of Cashflow Loans will be required weekly, on a day and in an electronic format that is acceptable to the Department. At minimum, these weekly reports shall include the following data:

- (1) Total funding obligated for the payment of allowable rent and utilities arrears costs for approved applications from Eligible Households for the week and cumulatively;
- (2) Total expenditures for the payment of allowable rent and utilities arrears costs for approved applications from Eligible Households for the week and cumulatively;
- (3) Projected obligations and expenditures for the upcoming week based on eligible applications received and processed;
- (4) Number of household applications received, processed, and approved for the week and cumulatively;
- (5) Administrative expenses obligated and expended from Cashflow Loan funds cumulatively.

Failure to report will constitute a breach of the Standard Agreement and may result in the suspension of further disbursement and/or the immediate recapture of Cashflow Loan funds.

F. Recapture

If a Cashflow Loan recipient does not fulfill all terms and conditions of such loan including, but not limited to, using Cashflow Loan funds only to fund rent and utilities assistance distributions to eligible households and associated administrative expenses, then all loan funds expended for ineligible activities are subject to recapture by the Department.

If a Cashflow Loan recipient has funds in excess of the need for allowable assistance payments during the covered period, the unused funds shall be returned to the Department within 45 calendar days of the final eligible payment made with Cashflow Loan funds.

G. Repayment

It is anticipated that Cashflow Loan recipients may receive future reallocations of federal ERA funds from the U.S. Treasury. If such reallocations exceed the Cashflow Loan recipient's total need for ERA funds to pay eligible households for allowable assistance

State Rental Assistance Program

during the covered period, and to the extent the Cashflow Loan is determined by the U.S. Treasury to be reimbursable and a permitted use of reallocated federal funds, the Cashflow Loan recipient shall repay the Department the excess amount of reallocated federal funds, up to the total amount of Cashflow Loan received.

Any reallocated federal funds not able to be utilized for Cashflow Loan reimbursement per U.S. Treasury guidance may be used in accordance with U.S. Treasury's award terms and guidance, but if the Cashflow Loan indebtedness is not forgiven pursuant to Paragraph 4 of the promissory note, it shall remain due and payable upon the maturity date as set forth and specified in the promissory note.