

Substantial Amendment to the 2018-19 Annual Action Plan

This document includes the excerpts required for an Emergency Solutions Grant substantial amendment to the Annual Action Plan (AP), pursuant to the U.S. Department of Housing and Urban Development (HUD) requirements.

Emergency Solutions Grant Background

The federal Emergency Solutions Grant (ESG) program provides funds for a variety of activities to address homelessness as authorized under Title IV of the McKinney-Vento Act, the federal Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 and state program requirements. The California Department of Housing and Community Development (HCD) administers the ESG program with funding received from the HUD.

The ESG program provides grant funding to: (1) engage homeless individuals and families living on the street; (2) rapidly re-house homeless individuals and families; (3) help operate and provide essential services in emergency shelters for homeless individuals and families; and (4) prevent individuals and families from becoming homeless.

For Fiscal Year (FY) 2018, HUD allocated \$11,776,926 in ESG funds to HCD.

Reauthorizing Unencumbered Funds for Disaster Assistance

HCD proposes to use unencumbered prior year ESG funds totaling approximately \$723,137, to assist areas covered by Presidentially Declared Disaster DR-4407 (“DR-4407”).

Please note: If more unencumbered prior funds become available, HCD will allocate those funds for disaster assistance in areas covered by DR-4407.

AP-15 Expected Resources - 91.320(c)(1,2)

This AP is the fourth of five annual updates to the 2015-20 State of California Consolidated Plan (ConPlan). The AP outlines the State of California's (state) current priorities and strategies to address housing and community development goals using 2018 federal community development funds from HUD and from other federal and state sources.

This AP describes projected HUD 2018 funding levels, state and other resources expected for the year, program operation schedules, goals, objectives, and planned operations for the following five programs:

1. Community Development Block Grant (CDBG);
2. Home Investment Partnerships Program (HOME);
3. National Housing Trust Fund (NHTF);
4. Emergency Solutions Grants (ESG); and
5. Housing Opportunities for Persons With AIDS (HOPWA).

(Note: The Lead Hazard Control Program Grant ended in 2017, and therefore, will not be reflected in this AP).

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 4				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
CDBG	Public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	30,610,333	5,073,194	6,190,000	41,873,527	31,000,000	2018 HUD allocation plus an estimate on prior year CDBG resources. \$5 million may be set aside for Disaster Assistance.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 4				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOME	Public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	45,447,167	6,301,064	4,430,817	56,179,048	45,000,000	2018 HUD allocation plus an estimate on prior year HOME resources.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 4				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOPWA	Public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	3,355,813	0	917,670	4,273,483	1,651,419	The state HOPWA allocation is \$3,355,813. Prior year resources include \$567,399 from Fresno for FY 2014. Any unspent funds as of June 30, 2017 from all other project sponsors will be carried forward and re-allocated in FY 2018-19.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 4				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
ESG	Public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing Disaster Assistance	11,776,926	0	\$723,137	12,500,063	12,000,000	Additional prior year resources may become available from 2016 contracts expiring later in 2018. Additional prior year resources may become available from 2017 contracts expiring later in 2019.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 4				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HTF	Public - federal	Acquisition Admin and Planning Homebuyer assistance Multifamily rental new construction Multifamily rental rehab New construction for ownership	36,616,277	0	0	36,616,277	37,000,000	2018 HUD allocation

Table 5 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

CDBG – CDBG funding is generally used as a gap financing with other federal, state, private, and local funds as available funds are often insufficient to fully support community or economic development projects and programs. The state encourages localities to provide local resources and obtain private support whenever feasible. Local contributions can include in-kind staff services, grant administration, gas tax funds, public works funds, and permit and other fee waivers. Private contributions can include mortgage loans, grants from private agencies, in-kind staff time, sweat-equity from rehabilitation projects, and discounts on services from title, pest, and appraisal companies.

Leveraged funds with CDBG funding can improve feasibility of programs and projects. Leverage varies depending upon activities being implemented. For example, for single-family homebuyer assistance program activities, CDBG funding provides “gap” funding subordinate to the first mortgage. CDBG funding is used to augment or expand existing public service activities. The CDBG program offers direct funding for single and multifamily rehabilitation, first-time homebuyer down payment assistance, microenterprise, and business assistance programs. It also provides full or partial funding for public infrastructure, public infrastructure in support of housing projects, economic development, and public facility projects. CDBG can be used as leverage or gap funding with other resources to offset the high cost of larger projects.

CDBG matching requirements for federal FY 2018 funds will be met by the state general fund for approximately \$612,000. Administration and planning activities require matching funds due to the state CDBG statute.

ESG – ESG match is provided by its subrecipients on a dollar-for-dollar basis. Specific sources of match or leverage are identified at the time of application and must comply with Title 24 Code of Federal Regulations (CFR), §576.201. Sources of match may include: (1) local funds from cities and counties; (2) private funds including agency fundraising and cash; and (3) donated goods, volunteers, building value, or lease.

Administrative Entities (AEs) and local Continuums of Care (CoC) have the ability to combine their own local resources with those of the federal allocation to provide more services to their communities to work towards ending homelessness. These entities are encouraged to devote all in-kind donations, tangible resources, buildings and space provided, monetary donations, and volunteer services, as well as their own local funds to meet the match requirement of 24 CFR §576.201. Additionally, other state funds may become available in 2018 that can be used to match ESG funds.

HCD proposes to use unencumbered prior year ESG funds totaling approximately \$723,137, to assist areas covered by Presidentially Declared Disaster DR-4407 (“DR-4407”).

Year	Amount
2013	\$ 8,060.00
2014	\$ 2,406.00
2015	\$ 15,842.97
2016	\$ 11,592.00
2017	\$685,236.03
Total	\$723,137.00

Please note: If more unencumbered prior funds become available, HCD will allocate those funds for disaster assistance in areas covered by DR-4407.

HCD may exercise the right to use match forgiveness in the amount of only \$100,000 per grant year. This waiver may be provided to sub-recipients, in areas covered under DR-4407, who have difficulty meeting their full match requirement only when providing disaster related services, shelter, or housing. It will be at the discretion of HCD to exercise this waiver and to identify the sub-recipients who may benefit from its execution.

HOME – The largest source of leverage is Low Income Housing Tax Credits (LIHTC) used with new rental construction projects. Other sources of leverage include private bank loans, state funds, other federal funds, and local funds for both rental and homebuyer activities. For FY 2018, HOME estimates leveraging over \$125 million from other sources. Every \$1 in HOME funds leverages \$3-\$4 in private funding. HOME's leverage typically exceeds its match requirement.

NHTF – There is no federal match requirement for NHTF. HCD anticipates that, similar to the state HOME program, LIHTC will be leveraged for rental new construction projects. HCD anticipates sources of leverage including private bank loans, state funds such as tax credits, other federal funds, and local funds.

HOPWA – There is no federal match requirement for HOPWA; however, project sponsors report leveraged funds. On an annual basis, the California Department of Public Health, Office of Aids (CDPH/OA) allocates funding through the HIV Care Program (Ryan White Part B) for HIV/AIDS care and treatment services to California counties.

Based on prior year data, state HOPWA anticipates approximately \$4.6 million in leveraged funds by HOPWA project sponsors, including Ryan White Part B and other federal, state, local, and private resources for the provision of HIV/AIDS housing and services to HOPWA clients based on the FY 2016-17 Consolidated Annual Performance and Evaluation Report (CAPER) reported number.

Resources also include prior year HOPWA funds for Fresno County that will be committed to projects in FYs 2017-18 and 2018-19. These funds were resources from the FY 2013-14 grant period. CDPH/OA has received an extension from HUD to spend those funds until August 31, 2020. A contract with Clinical Sierra Vista in Fresno has been executed to expend these funds.

If appropriate, describe publicly owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

Although some localities utilize property they own to build affordable housing, the state's AP does not identify specific projects to be developed or supported since local entities must first apply for, and be awarded, funding for these projects.

For locally controlled surplus property, Assembly Bill (AB) 2135 (Government Code (GC) Section 54220), effective January 1, 2015, revised provisions of existing law by strengthening first right of refusal requirements to affordable housing developers for the disposal of surplus land and required affordability when the land is not proposed with an affordability requirement. Current state law, GC Section 11011, allows the state to dispose of surplus state real property through the Department of General Services (DGS) for affordable housing. Given these requirements and programs, HCD will continue to partner with DGS and outside stakeholders to promote affordable housing on publicly owned land.

AP-25 Allocation Priorities – 91.320(d)

Introduction:

The percentages below are based on the expected amount of funds that will be awarded by each program for federal FY 2018 for eligible activities that fall within that goal. The expected amounts to be awarded are in the column "Total Available in Year 4" (FY 2018), found in Table 5, in Annual Action Plan Section 15 (AP-15). This total includes any Program Income (PI) and prior year resources expected to be awarded in FY 2018. The expected amounts to be awarded to each goal are typically based on actual applicant demand for activities within that goal from the prior Notice of Funding Availability (NOFA) year. For this reason, in some instances, the percentages below may be under the minimums allowed for a particular activity pursuant to statute or regulation.

Note: CDBG Colonias percentage is listed below at 5 percent, but this amount would otherwise be reflected in the amounts available under the housing or infrastructure goals. The 30 percent projected for public facilities includes general infrastructure projects. Amounts for infrastructure projects connected to a particular housing project ("in support of housing") are reflected in the renter and homeowner goals.

The amount for the HOME program under "homelessness assistance and prevention" reflects the total amount of HOME Tenant-based Rental Assistance (TBRA) funds projected to be awarded for the 2018 HOME NOFA. For purposes of the goals reflected below, HOME TBRA is considered a homelessness assistance or prevention activity.

Funding Allocation Priorities

	Increase the supply of affordable rental housing (%)	Expand homeownership and improve existing housing (%)	Provide homeless assistance & prevention services (%)	Increase economic development opportunities (%)	Maintain or increase public services (%)	Maintain or increase public facilities (%)	Colonias Set-Aside (%)	Total (%)
CDBG	10	15	0	30	10	30	5	100
HOME	55	35	10	0	0	0	0	100
HOPWA	0	0	100	0	0	0	0	100
ESG	0	0	100	0	0	0	0	100
HTF	100	0	0	0	0	0	0	100

Table 7 – Funding Allocation Priorities

Reason for Allocation Priorities

CDBG – Actual allocation percentages may vary from table number seven above.

After administration costs are subtracted and mandatory federal and state allocations are calculated, activity funding is based on the demand for each activity as reflected in each year's application submittals. Federal law requires a set-aside of 5 percent for eligible Colonia communities. Federal law also requires that not more than 15 percent of CDBG funding be provided for public service activities each year. State set-asides include a 1.25 percent set-aside for non-federally recognized Native American communities and a separate 30 percent set-aside for economic development activities. If the demand for these set asides is not sufficient, then the balance of funds will revert to the general pool of funds.

State statute requires that at least 51 percent of all awarded funds be used for housing and housing-related activities (housing-related includes public improvements and public improvements in support of construction of new housing activities). In addition to the set-asides and funding level criteria described above, HCD will monitor general administration expenditures to ensure compliance with the federal expenditure cap rate and ensure a minimum expenditure rate on activities meeting the national objective of benefitting at least 70 percent of low/moderate-income individuals in compliance with the federal requirement.

ESG - With the redesign of the ESG program, HCD has moved its focus from provider competition to a more formula-based method of distribution for local CoC Service Areas (SA), using a formula that utilizes Point-in-Time Count (PIT), poverty rate, and renter cost burden data for extremely low-income households. (See AP 30 for more information on methodology).

HCD will allocate disencumbered, prior year funds, to address areas covered by DR-4407, through a nonformula-based allocation. Discussion of the allocation process begins on page 15.

HOME - HOME-funding allocation priorities are based on demand by program applicants for categories of activities. In addition, state HOME regulations establish a minimum allocation of 40 percent for First Time Homebuyer (FTHB) mortgage assistance, Owner Occupied Rehabilitation, and TBRA (i.e., program activities), and a 5 percent minimum allocation for FTHB new construction or rehabilitation/conversion activities (i.e., FTHB projects). For FY 2018, in the table above, the 55 percent allocation for renters reflects anticipated demand for rental new construction or rehabilitation projects.

The 10 percent for homeless assistance and prevention activities reflects anticipated demand for HOME TBRA activities for FY 2018 due to HUD allowing unit inspections and income determinations as eligible project-related soft costs for TBRA, as well as an anticipated increase in the need for TBRA due to lack of other rental assistance, continued focus on Rapid Rehousing (RR) for homeless households, or assistance provided as a result of local, state, or federally declared disasters.

NHTF – Per 2017 AB 74, NHTF funding allocation priorities are based on the state’s current homeless crisis. California currently has 22 percent of the nation’s total homeless population. Per 24 CFR §93.250, all NHTF will target homeless or households that are extremely low-income. HCD will maximize NHTF’s deep targeting requirements by devoting 100 percent of its NHTF allocation to the production of new rental housing units. Increasing the supply of rental housing is a priority need in the state’s ConPlan.

HOPWA - A statutory goal of HOPWA is to prevent or alleviate homelessness among persons living with HIV/AIDS. CDPH/OA allocates HOPWA funds through a formula process based on the most recent reported HIV and AIDS cases by county. This allocation formula was developed to ensure equity of funding to all non-Eligible Metropolitan Statistical Areas (EMSA) of California while allocating proportionately larger amounts to the communities most impacted by HIV/AIDS. To promote the use of HOPWA funds for housing assistance activities, CDPH/OA has limited supportive services activities to 20 percent of a project sponsor’s allocation.

National Disaster Resilience (CDBG-NDR) - HUD has awarded the state \$70,359,459 for three activities tied to the 2012 Rim Fire disaster in Tuolumne County. All activities will be carried out in Tuolumne County. The state was awarded: (1) \$28,604,459 for the Forest and Watershed Health Program (FWHP); (2) \$22,000,000 for a Biomass Utilization Facility (BUF) to produce energy facility and saleable and wood products (public facility or economic development loan); and (3) \$19,755,000 for at least one Community Resilience Center. The Sierra Nevada Conservancy (SNC) will project manage and administer all funding for the FWHP and the BUF project(s) development and implementation. The funding for the Community Resilience Center will be administered by the Tuolumne County local government via HCD’s usual grant contract/standard agreement process.

For more information, please see HCD’s CDBG-NDR Action Plan on HCD’s website at <http://www.hcd.ca.gov/community-development/disaster-recovery-programs/ndrc.shtml>.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

The proposed distribution of funds addresses all our priority needs housing areas to the extent that this is driven by applicant demand for these activities and federal and state statutory or regulatory requirements for the use of the funds.

DRAFT

AP-30 Method of Distribution - 91.320(d)&(k)

Describe the state program addressed by the Method of Distribution.

As authorized by [McKinney-Vento Homeless Assistance Act, Subtitle B of Title IV](#) (42 United States Constitution 11371-11378) and the federal [Homeless Emergency and Rapid Transition to Housing Act \(HEARTH\) Act](#), 100 percent of ESG funds activities must address homelessness. HCD's ESG program is distributed by formula to two separate allocations: CoC and Balance of State (BoS). CoC allocations contain a city or county that receives ESG funds directly from HUD. BoS funds are allocated to SAs that do not contain a city or county, that receives ESG funds directly from HUD.

The ESG program aims to do the following: align with local systems' federal ESG and HEARTH goals; invest in impactful activities based on key performance goals and outcomes; and improve geographic distribution and continuity of funded activities and create a streamlined delivery mechanism. Pursuant to current state regulations, eligible applicants are local governments and nonprofit corporations. Federal ESG funding will continue to be directed towards non-Entitlement areas throughout the state; however, under the redesigned program, funding can be used in Entitlement areas.

As discussed earlier, the program utilizes a formula-based method of distribution for CoC and BoS SA, using a formula that considers homeless PIT count, poverty rates, and extremely low-income household renter cost burden data. All of ESG's federal funds go to address homelessness and may be used for Emergency Shelter (ES), Homeless Prevention (HP), Street Outreach (SO), Rapid Rehousing (RR), and the Homeless Management Information System (HMIS) ([24 CFR §576.100](#)). Federal regulations cap the amount that can be used for ES/SO at 60 percent, and HCD generally limits the amount that can be received for HMIS per application to no more than 10 percent of the available funds. RR will remain the priority for ESG funds with a minimum required 40 percent used towards RR.

HCD will allocate unencumbered, prior year funds for the purposes of addressing the emergency housing needs in areas covered by Presidential Declared Disaster DR-4407, through a nonformula-based allocation. To address the most serious, emergent health, safety, and general welfare needs, the Director or Acting Director may direct funding to designated activity types or geographic areas, or both.

To reauthorize and allocate prior year unencumbered funds for disasters, HCD has submitted a waiver to HUD to:

- a) Remove the restriction to use ESG funds to only support units at or below Fair Market Rents in favor of a rent reasonableness standard.
- b) Expand the time for housing search and placement beyond 24 months.

HUD approved the waiver on May 30, 2019.

Describe all of the criteria that will be used to select applications and the relative importance of these criteria.

As stated above, ESG funds will be allocated to two separate funding pools; the CoC allocation and the BoS allocation.

Within the CoC allocation, local government AEs will select applications for funding pursuant to the criteria set forth in ESG regulations, [Title 25, California Code of Regulations \(CCR\), Division 1, Chapter 7, Subdivision 20, Section 8403\(g\)](#), and administer ESG contracts. Further discussion of the CoC allocation is provided in the narrative below.

Under the BoS allocation, for the 2018 funding round, up to 50 percent of the funds will be available noncompetitively to each BOS SA. The remaining balance will be available within the three-regional competitive set-asides set forth under ESG regulations [section 8404\(a\)\(3\)](#). HCD will select providers for funding according to the application eligibility criteria set forth under [section 8406](#) and the application rating criteria set forth under section 8407. Further discussion of the BoS allocation is also provided in the narrative below.

CoC allocation: Within the CoC allocation, AEs will be selected by HCD to administer an allocation of funds provided pursuant to the formula factors set forth under section 8402 of the ESG Regulations. These AEs must be local governments of ESG Entitlement Areas and must commit to administering ESG funds, in collaboration with their CoC, throughout their CoC SA, including ensuring access to ESG funds by households living in non-Entitlement areas. AE and CoC qualifications are set forth in state ESG regulation [section 8403\(d\) and \(e\)](#). A minimum of 40 percent of each AE ESG allocation must be used for RR activities.

HCD will enter into a contract with the AE, and the AE will contract directly with its selected providers. The AE shall collaborate with the CoC in administering an application selection process which complies with [section 8403\(g\)](#) of the ESG regulations. The process must: (1) be a fair and open competition which avoids conflicts of interest; (2) follow procurement requirements of 24 CFR Part 200; (3) evaluate provider capacity and experience, including the ability to deliver services in non-Entitlement areas; (4) evaluate eligibility and quality of services, including adherence to core practices pursuant to ESG regulations [section 8409](#); (5) utilize data and consider community input to identify unmet needs; (6) prioritize activities that address the highest unmet need, considering other available funding and system-wide performance measures; and (7) consider project-level performance measures when evaluating proposals.

An AE can also enter into an agreement with a geographically contiguous CoC in the BoS allocation to administer 100 percent of the funding attributable to both CoC SAs for RR activities in accordance with [section 8403\(a\)\(1\)](#) of the ESG regulations.

BOS allocation:

Noncompetitive Allocation

CoC in the BoS allocation are those that have no ESG entitlement jurisdictions within their CoC SA. Within this allocation pool, CoC may select providers to receive a portion of funds available under the formula allocation noncompetitively for RR. HCD will administer these contracts with providers. In recommending providers for these funds, the CoC shall follow a process that meets the requirements of ESG regulation section 8404(a)(2). The current limits on the percentage of funds and number of contracts that can be accessed noncompetitively for RR are set forth on the following pages under the heading “minimum and maximum percentage of an ESG allocation that can be accessed noncompetitively for Rapid Rehousing”.

Competitive Allocation

Funds available through the competitive allocation are divided up into three geographic regional allocations (Northern Region, Bay Area Region, and the Central and Imperial Valley Region). Programs within each of these regions apply for the funds. Applications are evaluated based on the following competitive application rating criteria:

- a) Applicant Experience (20 points) - An evaluation of length of experience and prior ESG program performance.
- b) Need for Funds (10 points) - Whether the application activity and subpopulation targeting, if any, meets a high need for the community as identified by the CoC in a manner that is consistent with the requirements of ESG regulations section 8409 (required Core Practices).
- c) Program Design (20 points) – The quality of the proposed program in delivering eligible activities to participants consistent with the written standards of the CoC and core practices as set forth under ESG regulations section 8409.
- d) Impact and Effectiveness (30 points) – The impact and effectiveness measures for FY 2017-18 are discussed on the following pages under the heading “HMIS Project and System-Level Impact and Effectiveness Performance Metrics.”
- e) Cost Efficiency (10 points) - Using HMIS data from the most recent ESG contract year, applications will be evaluated based on the average cost per exit to permanent housing based on the total ESG project budget and the number of exits to permanent housing.

For purposes of addressing housing needs in areas covered by DR-4407, HCD may suspend the traditional rating and ranking process in areas affected by this disaster that may not have the capacity to submit applications. HCD will communicate a suspension of the rating and ranking process to all applicants.

If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)

All applications and other state publication information can be found on HCD's website at www.hcd.ca.gov.

Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)

ESG funds will be distributed to local governments and nonprofit homeless service providers in two separate funding allocations pursuant to the formula set forth under section 8402 of the ESG regulations: 1) the CoC allocation; and 2) the BoS allocation. See above for a discussion of these two allocations.

HCD will release a separate NOFA for areas impacted by DR-4407.

Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)

See HOPWA section above.

Describe how resources will be allocated among funding categories.

Federal ESG regulations cap the amount that can be allocated to eligible projects under the SO and ES components at 60 percent of HCD's annual federal ESG allocation. Individual homeless service providers may propose uses of funds in accordance with their needs subject to the above restriction as well as the following limitations:

CoC Allocation

Within the COC allocation, ESG regulations [section 8403\(i\)](#) requires that not less than 40 percent of the CoC allocation awarded by an AE be for RR except if funds are administered by an AE for two contiguous SAs. In this scenario, 100 percent of the funds must be used for RR. HMIS is limited to 10 percent per application under state regulations section 8408.

BoS Allocation

For 2018, BoS must use a minimum of 40 percent and a maximum of 50 percent of their noncompetitive allocation for RR. BoS Homelessness Prevention funds are limited to 10 percent per application and can only be used in combination with an RR or ES application. If applied for as part of a noncompetitive RR application, SO funds are limited to 10 percent per application (state regulation section 8404(b)). HMIS is limited to 10 percent per application under state regulation section 8408.

As permitted by the ESG regulations, the following additional limits apply for FY 2018: Caps on amounts available under the formula (section 8402 (d))

No one CoC SA may receive more than 10 percent of the total amount of ESG funds available under the allocation formula in a given funding round.

Amounts Available for Administrative Activities and Indirect Cost Allocation (section 8402(a) and 8404(b))

ESG Administration - AEs under the CoC allocation may receive approximately 2.6 percent of their formula allocation for Administration as defined in the federal regulations. For the BoS allocation, grant Administration of up to \$200 per application may be requested by local government service provider applicants per [24 CFR §576.108](#). No other Administration funds will be provided for the CoC or BoS allocations.

Homeless Service Provider Indirect Cost allocation

CoC Allocation: As permitted by the applicable AE, homeless service providers receiving funds from an AE under the CoC allocation may charge an indirect cost allocation as calculated pursuant to [24 CFR 576.109](#).

BoS Allocation - Homeless service providers funded by HCD through the BoS allocation that are eligible to receive an indirect cost allocation as calculated pursuant to 24 CFR 576.109.

Eligible Activities (8403 (h) 8408 (b))

Pursuant to ESG regulation section 8408, all activities permitted under the federal ESG regulations shall be eligible except for renovation, conversion, or major rehabilitation activities pursuant to 24 CFR 576.102. Minor repairs to an ESG-funded Emergency Shelter (ES) that do not qualify as renovation, conversion, or major rehabilitation, are an eligible use of HCD's ESG funds.

Pursuant to ESG regulation section 8408 (b), the following additional limitations apply to ESG activities funded from the CoC allocation:

- a) Where HCD has approved an AE to administer ESG funds, a minimum of 40 percent of the SA allocation shall be used for RR.
- b) AEs partnering with a neighboring CoC from the BoS allocation must award 100 percent of both SA formula allocations to RR (§ 8403(a) (1)).
- c) In the absence of an approved AE, 40 percent of a CoC SA formula allocation may be accessed noncompetitively for RR. Up to two applications may be recommended by the CoC for RR. These applications and contracts will be administered by HCD. The remainder of the funds will be distributed through the formula to the BoS allocation.
- d) Up to 10 percent of an AE SA allocation may be used for HMIS activities.

Pursuant to ESG regulation section 8408 (b), the following additional limitations apply to ESG activities funded from the BoS allocation:

- a) Up to 50 percent of a BoS SA allocation may be accessed through the noncompetitive allocation.
- b) A minimum of 40 percent and a maximum of 50 percent of a BoS SA allocation must be used for RR.
- c) SO can be submitted as a stand-alone activity, or in combination with an ES or RR application in the competitive allocation. If submitted in combination with an RR activity through the noncompetitive allocation, the SO portion cannot exceed 10 percent.
- d) Up to 10 percent of a BoS SA allocation may be used for HP activities in combination with an ES or RR application.
- e) Up to 10 percent of a BoS SA allocation may be used for HMIS activities. HMIS funds may be requested as part of an application for another eligible activity.

HMIS Project and System-Level Impact and Effectiveness Performance Metrics (8407 (a) (4))

CoC Allocation: AEs may establish their own project-level HMIS performance metrics by which to evaluate applications submitted to them for ESG funds.

BoS Allocation: Scoring for the performance outcomes in the impact and effectiveness rating factor will be evaluated using data from HMIS from October 1, 2016 - September 30, 2017, or for those projects not in operation during this entire period, the most recent 12-month period. For data coming from Victim Service Providers (VSP), data from a HUD-compliant comparable database may be used.

Project-Level Performance Metrics Data

BoS Allocation: The project level measures are as follows: (1) average length of project participation for individual leavers and (2) leavers exiting to permanent housing. Scores assigned will be based on relative success rate. For project-level performance metrics, programs of the same activity type (i.e. SO, ES, RR) will only be compared against programs of that same activity-type.

System-Level Performance Metrics data

CoC Allocation: System-level performance metrics within SAs under the CoC allocation will be monitored by HCD at a later date.

BoS Allocation: Reports submitted by the CoC must be consistent with HUD's May 2015 System Performance Measures. Data for Measures 1, 2, 3, 5, and 7 must be submitted to HCD and scoring will only be based on the CoC's ability to produce the information.

Minimum and maximum percentage of an ESG allocation that can be accessed noncompetitively for Rapid Rehousing (8403 (a)(2) 8404 (a) (2) (F)

CoC Allocation:

- a) Where HCD has approved an AE to administer ESG funds, a minimum of 40 percent of the SA allocation shall be used for RR.
- b) AEs partnering with a neighboring CoC from the BoS allocation must award 100 percent of both SA formula allocations to RR.
- c) (§ 8403(a) (1))
- d) In the absence of an approved AE, 40 percent of a CoC SA formula allocation may be accessed noncompetitively for RR.
- e) Up to two applications may be recommended by the CoC for RR. These applications and contracts will be administered by HCD.

BoS Allocation: A minimum of 40 percent and a maximum of 50 percent of a BoS SA allocation shall be used for RR.

See the heading “Maximum number of applications, contracts, and subcontracts” for a discussion of the number of applications that can be submitted within each BoS SA.

Minimum and Maximum Grant Limits

CoC Allocation: Where there is an approved AE, AEs will be responsible for setting any minimum and maximum grant amounts since they will be evaluating provider applications and managing these contracts. HCD will be monitoring AEs to ensure that they can effectively manage the number of awards they make.

BoS Allocation: Noncompetitive allocation – no individual application minimum and maximum grant amounts will be established by HCD for this allocation. The amount of each individual application for available funds within this set-aside shall be determined by the CoC.

Competitive allocation - each application submitted must be for a minimum of \$75,000 and a maximum of \$200,000. These amounts include amounts requested for all eligible activities, including HMIS and indirect costs.

Maximum number of applications, contracts, and subcontracts

CoC Allocation: Within the CoC allocation where there is an approved AE, AEs will be responsible for setting any limits on the number of applications received and contracts or subcontracts funded, since they will be evaluating provider applications and managing all contracts and subcontracts. HCD will be monitoring AEs to ensure that they can effectively manage the number of awards, contracts, and subcontracts they have.

BoS Allocation

Noncompetitive allocation – For the 2018 NOFA round, no more than two applications may be recommended by the CoC and submitted to HCD. No more than two contracts per CoC SA will be awarded by HCD.

For the 2019 NOFA round, in CoC SAs comprised of a single county, no more than two applications may be recommended by the CoC and submitted to HCD. No more than two contracts per CoC SA will be awarded by HCD.

For the 2019 NOFA round, in CoC SAs comprised of more than one county, no more than three applications may be recommended by the CoC and submitted to HCD. No more than three contracts per CoC SA will be awarded by HCD.

Competitive allocation - For the 2018 NOFA round, no more than two applications may be recommended by the CoC and submitted to HCD. No more than two contracts per CoC SA will be awarded by HCD.

For the 2019 NOFA round, in CoC SA comprised of a single county, no more than two applications may be recommended by the CoC and submitted to HCD. No more than two contracts per CoC SA will be awarded by HCD.

For the 2019 NOFA round, in CoC SA comprised of more than one county, no more than three applications may be recommended by the CoC and submitted to HCD. No more than three contracts per CoC SA will be awarded by HCD.

Subcontracts

There are two types of subcontracting which are permitted under ESG.

- a) Subcontracting for services provided to the funded program. Procuring services related to carrying out the funded program is permissible.
 - Examples: security, supportive services, food services. Federal procurement rules may apply.
- b) Applications that contain multiple ESG-eligible activities as permitted under the AP or NOFA may subcontract with separate providers for those activities. For example, RR programs that request funds for both RR and HMIS may subcontract to a different entity for their HMIS.

Note: Contracting with, or in any way assigning the ESG grant or grant funds in part or whole to another provider for any activity or activities that is/are not allowed or approved by HCD as part of the ESG funded program, is strictly prohibited.

Application packages that includes provider recommendations are due to HCD as set forth in ESG NOFAs. HCD released NOFAs for the CoC and BoS allocations on June 8, 2018 at <http://www.hcd.ca.gov/grants-funding/active-funding/esg.shtml>.

Describe threshold factors and grant size limits.

All funded activities must meet program eligibility criteria as set forth in ESG regulations [section 8406](#) and this AP. Grant size limits are discussed above. Application threshold factors under the BoS regional competition are summarized below, pursuant to [section 8406](#).

6. The applicant is an eligible organization and is recommended by the CoC;
7. The CoC meets the requirements of [section 8404\(a\)\(1\)](#);
8. The application proposes an eligible activity in the CoC SA consistent with [section 8408](#);

A complete application is received by the deadline stated in the NOFA. HCD does have the authority to request missing information after the application deadline, but the application may be scored as initially submitted.

What are the outcome measures expected as a result of the method of distribution?

As stated previously, the method of distribution is designed to better align with local systems federal ESG and HEARTH goals. For FY 2018-2019, ESG anticipates serving approximately 1,635 RR recipients, 5,175 persons with ES, and 95 persons with HP services.

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AP-65 Homeless and Other Special Needs Activities – 91.320(h)

Introduction

HCD will address the requirements in 24 CFR Section 91.320 by using funds to reduce and end homelessness. For ESG we have over 60 active contracts that work to help transition persons out of institutions, provide funds to service providers for outreach to unsheltered homeless persons in order to connect them to emergency shelters, housing, or critical services, such as HOPWA.

HOPWA – Individuals eligible for this program are coordinated through the Department of Public Health, Office of AIDS (CDPH/OA). The CDPH/OA convenes the CPG which serves as an advisory subcommittee which identifies the most effective housing services and best practices for integrating HIV health and housing providers. For FY 2018-19, a total of 22 HOPWA projects will be funded with the goal of providing homeless assistance and prevention services. The annual allocation in expected resource for state HOPWA allocation is \$3,355,813. In addressing homeless assistance and prevention services, an estimated allocation of \$3,932,848 in HOPWA, ESG, and HOME funds will be expended for a total annual goal outcome of 1,772 Tenant-based rental assistance/Rapid Rehousing activities. The total one-year goal of households to be provided housing using HOPWA for Short-term Rent Mortgage and Utility (STRMU), Tenant-based Rental Assistance (TBRA), and transitional short-term housing facilities is 1,061 households.

NHTF and No Place Like Home (NPLH) do not have funded projects at this time.

Section 811 PRA is administered by another agency in collaboration with HCD and three other state agencies.

ESG – unencumbered, prior year, ESG funds will be used for disaster assistance relating to the California wildfires in 2018, to assist areas covered by DR-4407. HCD will allow grantees impacted by DR-4407 to address direct deficits to existing programs, provide temporary support to expand program occupancy, or fund a new activity such as street outreach or case management that can be utilized on the street or in temporary shelters to move new and existing clients into permanent housing.

1. ESG

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

For FY 2018, ESG funds allow for SO as a stand-alone project or as an add-on with ES or RR. These services are intended to reach unsheltered homeless individuals and engage them in eligible activities including case management, emergency health and mental health services, transportation, and services for special populations as defined in the federal regulations.

Addressing the emergency shelter and transitional housing needs of homeless persons.

ESG funds may be used for the costs of providing ES as defined by federal regulations [24 CFR §576.102](#). Pursuant to federal regulations, ESG funds cannot be used for transitional housing. In addition to providing temporary shelter, many programs provide a range of essential services necessary to assist people to access and retain permanent housing. Essential services include, but are not limited to, case management, education, job training, childcare, and mental and medical health services. Shelter operations costs include maintenance, rent, security, equipment, utilities, and food. HCD estimates **5,175** persons will receive ES utilizing federal FY 2018 ESG funds.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again.

The ESG program funds RR activities that provide short- and medium-term rental assistance and supportive services to homeless individuals and families, and those at risk of homelessness so that they can access and maintain affordable, suitable, permanent housing. In the coming year, ESG anticipates that a minimum of 40 percent of its awards will go toward RR activities.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

In administering all of its housing programs, HCD continues to assist persons who are being discharged from publicly funded institutions and systems of care or are receiving assistance from other public or private agencies. Particular focus on assisting persons exiting institutional care is made through the Section 811 Project Rental Assistance (PRA) program. This program provides rental assistance for non-elderly disabled individuals who are exiting long-term care facilities, as well as developmentally disabled persons and others at-risk of institutionalization due to housing instability or homelessness.

In addition, HCD is preparing to implement the NPLH program to provide development financing, including capitalized operating subsidy reserves, for rental housing serving extremely low-income individuals, including children and youth, with a serious mental illness who are Chronically Homeless, Homeless, or At-Risk of Chronic Homelessness. In particular, persons At-Risk of Chronic Homelessness will include persons discharged from various institutional settings. Under the proposed program, counties are required to provide mental health services and to coordinate the provision or referral to other services that NPLH tenants may need, including but not limited to, health, social services, employment, and education.

2. National Housing Trust Fund

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again.

California is home to 22 percent of the nation's homeless population. Homelessness often creates an institutional circuit, where those experiencing it long enough cycle through living on the streets, emergency room visits, inpatient admission, incarceration, and often nursing home stays.

AB 74 helps to coordinate delivery services between the health and housing systems to further California's goal of eliminating homelessness.

The Housing for a Healthy California (HHC) program fills a critical and necessary gap in overall state housing assistance programs by offering interim and long-term housing assistance to support innovative health care programs targeting California's most vulnerable persons experiencing homelessness. Research suggests that individuals experiencing homelessness, particularly those individuals with multiple chronic conditions, often struggle to receive appropriate health care services and are disproportionately likely to be high utilizers of the health care safety net. For this population, targeted case management services can play an instrumental role in obtaining and maintaining housing and reducing health care utilization while improving health outcomes. The homeless population often has complex medical and behavioral health conditions, high rates of disability, multiple untreated health conditions, and early mortality. Recent data demonstrates that helping to secure permanent housing with targeted case management services for this population not only results in improved health for those individuals, but also results in significant cost savings for programs such as Medi-Cal and Medicaid.

With the creation of the HHC program (AB 74), HCD initially plans to use appropriated revenues from NHTF allocations for years 2018 to 2021 to provide supportive housing opportunities through operating reserve grants and capital loans to developers to create affordable housing for those experiencing frequent homelessness. Furthermore, this assistance will complement existing supportive housing production resources at HCD such as VHHP, NPLH, and Multifamily Housing Program-Supportive Housing. The ability to pair this resource will accelerate the time it takes to secure all financing to build supportive housing faster to serve homeless and extremely low-income households.

3. HOPWA

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.

HOPWA provides TBRA, Short Term Rent, STRMU Assistance, housing placement assistance, and supportive services to People Living with HIV (PLWH) who are homeless or at risk of homelessness. In addition to homelessness prevention, HOPWA funds may be used to provide temporary shelter (emergency shelter or hotel/motel vouchers) to homeless PLWH while helping them to locate stable housing.

Housing assistance and supportive services allow residents to achieve or maintain housing stability. The prevention of homelessness is an essential component of state HOPWA, as housing is increasingly identified as a strategic point of intervention to address HIV/AIDS and overlapping vulnerabilities (such as age, race, mental illness, drug use, or chronic homelessness). The National AIDS Housing Coalition reports that housing assistance has been shown to decrease health disparities while reducing overall public expense and/or making better use of limited public resources.

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