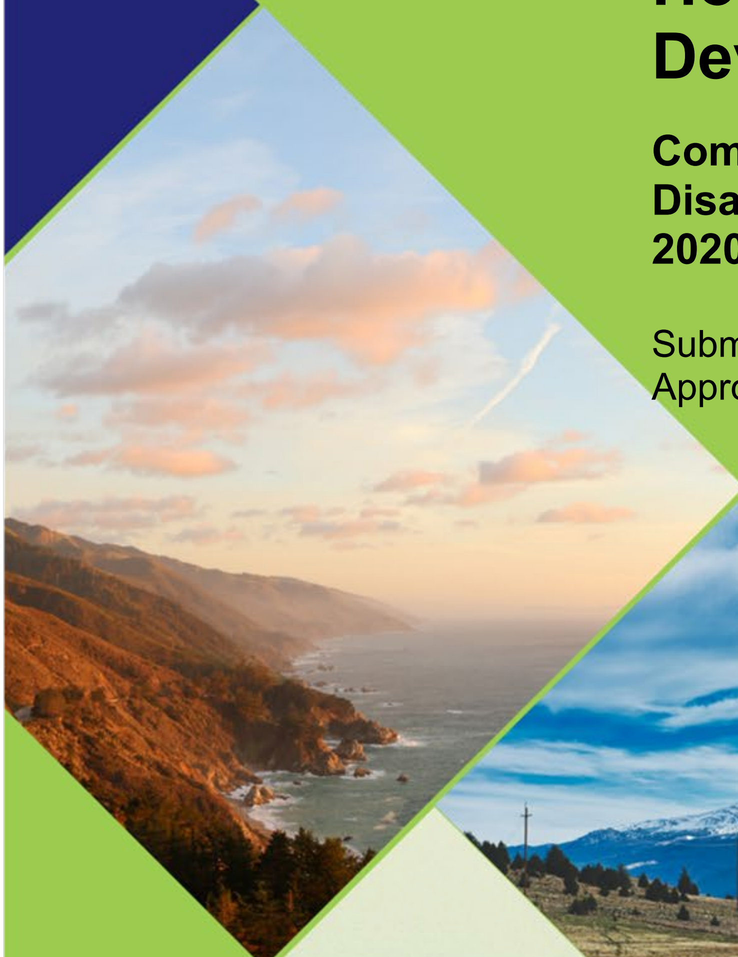
California Department of Housing and Community Development

Community Development Block Grant-Disaster Recovery
2020 Action Plan - Amendment 2

Submitted to HUD: June 2nd, 2023
Approved by HUD: June 7th, 2023



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I. Background and Summary of Changes

On February 3, 2022, the U.S. Department of Housing and Urban Development (HUD) allocated $231,203,000 in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the State of California to support California's unmet recovery needs related to the Federal Emergency Management Agency (FEMA) Major Disaster Declarations DR-4558 and DR-4569 through the publication of the Federal Register, Vol. 87, No. 23, February 3, 2022 (87 FR 6364). This allocation was made available through Public Law 117-43.

The California Department of Housing and Community Development (HCD) manages CDBG-DR funds in accordance with the goals and objectives set forth in the state's initial HUD-approved Action Plan for 2020 disasters ("20DR-Action Plan").

This is a substantial Action Plan Amendment that proposes changes to the Homebuyer Assistance program and Disaster Recovery Multi-Family Housing Program.

In this substantial amendment for Action Plan Amendment 2 (APA 2), the State of California proposes two changes to the:

- **Homebuyer Assistance Program (HBA)**: APA 2 proposes a change in the HBA program to allow HCD to select and enter into a standard agreement with a Subrecipient instead of completing a procurement process to onboard a program administrator. This change is requested in order to expedite the time to program launch as well as to work with a non-profit who will have a more grassroots approach and who will bring in local community-based organizations to help administer the program.
- **Disaster Recovery Multifamily Housing Program (DR-MHP):** Language in the DR-MHP program is being added to provide more specific scoring criteria as required by the Federal Register Notice. Additionally, Program is requesting to remove CDBG-MIT funding from the new construction program because mitigation components are already baked into local Wildland Urban Interface (WUI) building codes, where applicable. Since there is a limited amount of CDBG-MIT funding available, Program is requesting to focus that funding on rehabilitating existing affordable multifamily housing developments up to WUI code. Finally, Program determined that $50,000 is not adequate to rehabilitate a multifamily development and is requesting to increase the maximum award amount up to $300,000 per project.

II. Action Plan Amendments

A. List of Changes

1. 4.5.3 HCD Administered – Pages 167-168

This section below is updated to include the opportunity for the State to enter into a direct subrecipient agreement with a nonprofit subrecipient to deliver the Homebuyer Assistance.

HCD will directly operate the Disaster Recovery Owner-Occupied Housing Rehabilitation and Reconstruction and Mitigation Owner-Occupied Housing Rehabilitation and Reconstruction Program (OOR), Homebuyer Assistance Program (HBA), and the Disaster Recovery Multifamily Program and Mitigation Multifamily program. For the OOR staff will engage impacted homeowners statewide to apply for assistance. HCD will utilize a qualified vendor to perform full scale program management duties to augment HCD capacity and ensure high quality customer service delivery. Program staff will work with the procured vendor to maintain program timeliness, provide oversight, and ensure all levels of the program are compliant.

The Homebuyer Assistance Program will be a standalone program directly administered and implemented by HCD with the assistance of either a state agency partner or a procured contractor and will provide down payment and other housing assistance to low- to moderate-income disaster impacted homeowners, enabling them to relocate outside of high-risk areas or the disaster declared areas. HCD will directly administer the Multifamily Program and will directly solicit applications for affordable housing development projects. Funding will be made available to applicants by HCD through a Notice of Funding Availability (NOFA) process whereby applicants will compete for funds in one of six regional set-asides based on the location of the proposed project.

Remove: The Homebuyer Assistance Program will be a standalone program directly administered and implemented by HCD with the assistance of either a state agency partner or a procured contractor and will provide down payment and other housing assistance to low- to moderate-income disaster impacted homeowners, enabling them to relocate outside of high-risk areas or the disaster declared areas.

Replace: The Homebuyer Assistance Program will be a standalone program, directly administered and implemented by HCD with the assistance of either a state agency partner, a procured contractor, or under a direct subrecipient agreement between HCD and the nonprofit organization and will provide down payment and other housing assistance to low- to moderate-income disaster impacted homeowners, enabling them to relocate outside of high-fire risk areas or the disaster declared areas.

2. Single Family v. Multi-Family Needs; Owner Occupied v. Tenant – Page 25

a. Affordable Rents - Page 25

Eligibility of multifamily project proposals to be funded by CDBG-DR will be assessed by HCD. Specific eligibility criteria require that a proposed project must plan for a minimum of 51 percent of units to be affordable units. HCD is proposing to establish program affordable rents at the annual high HOME rents for each applicable area. For those units that are planned for extremely low-income maximum households, HCD is proposing to establish program affordable rents at the CTCAC rents for 30 percent area median income (AMI) for each applicable area.

HCD will determine the number of units in an approved multifamily development that will be leased to tenants with an income of up to 80 percent of the AMI based on regulatory and program requirements.

New construction, rehabilitation, or reconstruction of affordable rental housing projects shall be deed restricted by a Regulatory Agreement for a minimum affordability period of 55 years.

Remove: Eligibility of multifamily project proposals to be funded by CDBG-DR will be assessed by HCD. Specific eligibility criteria require that a proposed project must plan for a minimum of 51 percent of units to be affordable units. HCD is proposing to establish program affordable rents at the annual high HOME rents for each applicable area. For those units that are planned for extremely low-income maximum households, HCD is proposing to establish program affordable rents at the CTCAC rents for 30 percent area median income (AMI) for each applicable area.

HCD will determine the number of units in an approved multifamily development that will be leased to tenants with an income of up to 80 percent of the AMI based on regulatory and program requirements.

New construction, rehabilitation, or reconstruction of affordable rental housing projects shall be deed restricted by a Regulatory Agreement for a minimum affordability period of 55 years.

Replace: Eligibility of multifamily project proposals to be funded by CDBG-DR will be assessed by HCD. Specific eligibility criteria require that a proposed project must plan for a minimum of 51 percent of units to be affordable units. HCD is proposing to establish program affordable rents at the annual Multifamily Tax Subsidy Projects (MTSP) Regular Income Rent Limits for each applicable area.

HCD will determine the number of units in an approved multifamily development that will be leased to tenants with an income of up to 80 percent of the AMI based on regulatory and program requirements.

Any new construction, rehabilitation, or reconstruction of affordable rental housing projects shall be deed restricted by a Regulatory Agreement for a minimum affordability period of 55 years.

3. 3.10.14 Cost Effectiveness – Pages 147-149

a. Multifamily Housing Program (MHP) - Pages 148-149

Remove: The MHP per-unit maximum assistance is consistent with HOME limits established by HUD. The methodology for calculating those limits is found in 83 CFR 25693[1] with state-wide limits published annually by HCD. As a state-wide program with a variety of housing markets and corresponding costs, HCD uses the HOME limit as a federally established industry standard and safe harbor for cost reasonableness on a per-unit basis for housing serving low-income households. Consistent with other HUD affordable housing funding sources, the HOME maximum per-unit subsidy limits ensure an appropriate level of investment in Multifamily projects on a per-unit basis. This policy direction encourages leveraging with HOME, Tax Credits, State MHP, and other available affordable housing resources.

FIGURE 97: MULTIFAMILY HOUSING PROGRAM MAXIMUM PER-UNIT SUBSIDY

Bedrooms	Maximum Subsidy
0	$159,754
1	$183,132
2	$222,694
3	$288,094
4	316,236

If HUD has issued a regional per unit subsidy increase covering the jurisdiction of a project, the alternative subsidy amount may be used, up to 240 percent of the base subsidy limit. The minimum threshold for Multifamily housing project participation is a total project cost of $250,000 per project.

Using the maximum per-unit subsidy limits, a cost allocation will be performed on each project to ensure that CDBG-DR funds are applied to a proportionate share of total development cost. Awards of CDBG-DR funds will not exceed demonstrated need, 40 percent of total development cost, or the maximum subsidy as determined through cost allocation.

Replace: The MHP per-unit maximum loan assistance is consistent with the Basic Statutory Mortgage Limits, Section 234, adjusted for high cost areas as published by the Federal Housing Administration (FHA). As a state-wide program with a variety of housing markets and corresponding costs, HCD uses the FHA limits as a federally established industry standard and safe harbor for cost reasonableness on a per-unit basis for housing serving low-income households. Consistent with other HUD affordable housing funding sources, these per-unit loan limits ensure an appropriate level of federal investment in Multifamily projects on a per-unit basis. This policy direction encourages leveraging with HOME, Tax Credits, State MHP, and other available affordable housing resources.

FIGURE 97: MULTIFAMILY HOUSING PROGRAM MAXIMUM PER-UNIT LOAN LIMIT (2022)

Bedrooms	Maximum Subsidy

[1] "HOME Maximum Per-Unit Subsidy Limits," HUD Exchange (HUD), accessed April 2, 2022, https://www.hudexchange.info/resource/2315/home-per-unit-subsidy/.

0	$179,723
1	$206,024
2	$250,530
3	$324,105
4	$355,766

For MHP loan limit calculations, the unit count may include the number of Restricted Units within the project, including units with long-term, low-income or occupancy restrictions imposed by HCD, Tax Credit Allocation Committee (TCAC), or other public agencies and restricted at no greater than 65 percent of AMI. Awards of CDBG-DR funds shall not exceed the lesser of the demonstrated need or the MHP Maximum Per-Unit Loan Limit calculation.

b. Persons with Disabilities – Page 166

Remove: HCD's MHP policies and procedures include a project priority criterion that projects must meet at least one criterion including: "Projects providing residential units for people with at least one Disability. Disabled people are among the groups considered as being most vulnerable and at risk of suffering negative effects from natural disasters."

Replace: HCD's MHP policies and procedures incorporate HUD requirements that at least 5% of the units shall be accessible to persons with mobility impairments and at least 2% of the units shall be accessible to persons with sensory impairments. Additionally, HCD's Universal Scoring Criteria awards points to applications that include units serving special needs populations, including persons with disabilities. Persons with disabilities are among the groups considered as being most vulnerable and at risk of suffering negative effects from natural disasters.

c. Persons over the age of 65 – Page 166

Remove: HCD's multifamily policies and procedures currently includes a Project Priority Criteria for projects that provide residential units for elderly persons. All developers are required to submit an AFHMP as part of their application and a program threshold.

Replace: HCD's multifamily Universal Scoring Criteria awards points to applications that include units serving Older Adults in Need of Supportive Services, which includes individuals who are age 55 or older and who need supportive services to maintain and stabilize their housing.

4. 5.2 Multifamily Housing Program – Pages 173-183

a. Prioritization Criteria – Page 175

Remove: The proposed project must meet one of the four prioritization criteria included for Program Eligibility. The criteria ensures that projects will provide for one of the following:

- Housing for Extremely Low-Income (ELI) individuals or families.
- Permanent supportive housing units
- "Deep Affordability" for low-income Elderly Persons
- Providing required minimum percentage of residential units (15 percent) for people with at least one Disability and accommodating "Deep Affordability with at least three (3) percent of total units below 30 percent AMI.

Replace: HCD's multifamily Universal Scoring Criteria awards points to applications that include units serving special needs populations, including one or more of the following groups who need Supportive Services to maintain and stabilize their housing: (1) people with disabilities; (2) At Risk of Homelessness, as defined in 24 CFR Part 578.3; (3) individuals with substance use disorders; (4) frequent users of public health or mental health services, as identified by a public health or mental health agency; (5) individuals who are fleeing domestic violence, sexual assault, and human trafficking; (6) individuals who are experiencing Homelessness and individuals experiencing Chronic Homelessness as defined under the federal Continuum of Care Program at 24 CFR Part 578.3; (7) homeless youth as defined in Government Code Section 12957, subdivision (e)(2); (8) families in the child welfare system for whom the absence of housing is a barrier to family reunification, as certified by a county; (9) individuals exiting from institutional settings or at risk of placement in an institutional setting; (10) Older Adults in Need of Supportive Services; or (11) other specific groups with unique housing needs as determined by the Department.

b. Program Eligibility – Page 176

Remove: Eligible Projects Eligibility of multifamily housing project proposals will be assessed by HCD. Specific eligibility criteria include:

- The proposed project must be located in a Most Impacted and Distressed area, DR4558 or DR-4569.
- The proposed project must have a minimum of five total units.
- The proposed project must have a minimum of 51 percent of units must be affordable units.
- Maximum Rents: HCD is proposing to establish program affordable rents at the annual high HOME rents for each applicable area. For those units that are for extremely low-income households, HCD is proposing to establish program affordable rents at the CTCAC rents for 30% area median income (AMI) for each applicable area.
- The proposed project must meet one of the HCD project types defined in the "2019 Multifamily Housing Program Final Guidelines" Article 2, Section 7302(e)(1-5).
- The proposed project must meet one of the following four prioritization criteria:
- Projects providing housing for Extremely Low-Income (ELI) individuals or families. ELI is defined as income less than 30 percent of the area median income (AMI) or the federal poverty level, whichever is higher for the area of the proposed project. Approximately 1/3 of renter households impacted by the wildfires were at 30% AMI or This will be the Department's top priority.
- Projects providing permanent supportive housing (PSH) The HCD Supportive Housing Multifamily Housing Program (SHMHP) defines a PSH Multifamily Housing project as a project with a minimum of five supportive housing units, or a minimum of 40 percent of total units, whichever is greater, and must have associated supportive services for the intended target population living in the restricted units, pursuant to California Health and Safety Code Section 50675.14. If proposed projects have fewer than five supportive housing units or 40 percent of total units available as supportive housing, these projects will remain higher priority than a project with a comparable number of affordable rent units.
- Projects which are providing residential units for low-income Elderly Persons, accommodating "Deep Affordability".

- Projects providing 15% of residential units for people with at least one Disability and accommodating "Deep Affordability" with at least 3% of total units below 30% AMI.
- All sources of funding required to complete the project must be identified and secured or readily accessible.
- The proposed project must be cost reasonable, which is what a reasonable person would pay in the same or similar circumstances for the same or similar item or service. Cost reasonableness may be documented by comparing costs between vendors or by comparing submitted costs to an independent cost estimate.
- The proposed project must not exceed the maximum per-unit subsidy limit.

The proposed project must meet the following affordable rent requirements and tenant income limits over the duration of the minimum affordability period. At a minimum, the following thresholds must be adhered to in all projects:

- HCD will determine the number of units in an approved multifamily development that will be leased to tenants with an income of up to 80 percent of the AMI based on regulatory and program requirements.
- Affordable rents will be the high HOME rents published annually by HUD for the jurisdiction where the project is located, except that for units targeted to extremely low-income households, affordable rents shall be the CTCAC rents for 30% area median income (AMI) for each applicable area.
- New construction, rehabilitation, or reconstruction of rental projects shall be deed restricted by a Regulatory Agreement for a minimum affordability period of 55 years.

Replace: Eligible Projects

Eligibility of multifamily housing project proposals will be assessed by HCD. Specific eligibility criteria include:

- The proposed project must be located in a Most Impacted and Distressed area, DR4558 or DR-4569.
- The proposed project must have a minimum of five total units.
- A minimum of 51 percent of the units in the proposed project must be affordable units.
- Maximum Rents: HCD is establishing program affordable rents at the annual Multifamily Tax Subsidy Projects (MTSP) Regular Income Rent Limit for each applicable area.
- All sources of funding required to complete the project must be identified and secured or readily accessible.
- The proposed project must be cost reasonable, which is what a reasonable person would pay in the same or similar circumstances for the same or similar item or service. Cost reasonableness may be documented by comparing costs between vendors or by comparing submitted costs to an independent cost estimate.
- The proposed project must not exceed the maximum per-unit subsidy limit.
- The proposed project must meet the following affordable rent requirements and tenant income limits over the duration of the minimum affordability period. At a minimum, the following thresholds must be adhered to in all projects:

- HCD will determine the number of units in an approved multifamily development that will be leased to tenants with an income of up to 80 percent of the AMI based on regulatory and program requirements.
- Affordable rents will be the Multifamily Tax Subsidy Projects (MTSP) Regular Income Rent Limit published annually by HCD for the jurisdiction where the project is located.
- New construction, rehabilitation, or reconstruction of rental projects shall be deed restricted by a Regulatory Agreement for a minimum affordability period of 55 years.

c. Program Responsibility Entity – Page 177

Remove: Qualified developers must have completed at least three multifamily developments, at least one of which included affordable rental units.

Replace: Qualified developers must have completed at least 1-2 projects that are in service more than 3 years, and at least one shall be Department- regulated or projects utilizing low-income housing tax credits allocated by TCAC in order to receive any points under the Development and Ownership Experience section of the Universal Scoring Criteria.

Remove: Once HCD selects projects and announces awards, the form of agreement with successful applicant developers will be a Standard Agreement which will define each party's obligations, commit funding to the project, establish timelines and milestones, and reiterate relevant compliance requirements. At an appropriate time specified in the Standard Agreement, a Regulatory Agreement shall be recorded in first position above all other liens or

Replace: Once HCD selects projects and announces awards, the form of agreement with successful applicant developers will be a Standard Agreement which will define each party's obligations, commit funding to the project, establish timelines and milestones, and reiterate relevant compliance requirements. At an appropriate time specified in the Standard Agreement, a Regulatory Agreement shall be recorded in first position above all other liens or encumbrances.

d. Program Maximum Assistance – Page 178

Remove: The minimum threshold for Multifamily housing project participation is a total project cost of $250,000 per project.

Using the maximum per-unit subsidy limits, a cost allocation will be performed on each project to ensure that CDBG-DR funds are applied to a proportionate share of total development cost. Awards of CDBG-DR funds will not exceed demonstrated need, 40 percent of total development cost, or the maximum subsidy as determined through cost allocation.

Replace: HCD will use the MHP Maximum Per-Unit Loan Limits for appropriate loan sizing. Awards of CDBG-DR funds shall not exceed the lesser of the demonstrated need or the MHP Maximum Per-Unit Loan Limit.

e. Program Estimated Begin and End Dates – Page 179

Remove: The MHP will begin following HUD's approval of the Action Plan and execution of the grant agreement HUD and HCD. Project awards by HCD are expected in the fall of 2023 and construction will continue through the end of the grant term, or until all projects are complete and funds are expended. Individual construction timeframes will be specific to each selected application.

Replace: The MHP will begin following HUD's approval of the Action Plan and execution of the grant agreement HUD and HCD. Project awards by HCD are expected in mid-2024 and construction will continue through the end of the grant term, or until all projects are complete and funds are expended. Individual construction timeframes will be specific to each selected application.

f. Other Program Details – Page 179

Remove: HCD, in coordination with the subgrantee, will perform a check for duplication of benefit and federal funding supplantation prior to issuing an award to ensure that duplicative assistance is not provided for Multifamily housing.

Replace: HCD will perform a check for duplication of benefit and federal funding supplantation prior to issuing an award to ensure that duplicative assistance is not provided for Multifamily housing.

g. Program Competitive Application Overview - Page 181

Remove: In response to the NOFA, applicants may apply for funds to carry out eligible activities associated with property hardening in addition to rehabilitation and reconstruction. Mitigation set-aside funds are available to cover up to five percent of project costs for activities that meet the mitigation definition. The Action Plan budget includes a set-aside for mitigation for hardening of multifamily properties to include the creation of defensible space zones to reduce wildfire risk. A second option for existing multifamily properties to apply for mitigation funds to harden properties against future wildfire events is described at the end of this section. The NOFA will include scoring criteria and application forms, application due dates, and submission instructions, and will be published on HCD's website and other appropriate places as determined by HCD.

The threshold eligibility review considerations will include, but not be limited to:

- The proposed total MHP investment is 40 percent or less of total development costs
- The project includes at least five units
- The funding request is limited to the amount needed to fill a funding gap
- The project will meet the low- and moderate-income housing national objective by providing at least 51 percent of units to be occupied by households earning less than 80 percent of area median income or based on a pro-rata share of the units as determined by cost allocation performed using the MHP maximum per-unit subsidy
- Project costs are reasonable
- Project is incompliance with all other federal requirements including but not limited to applicable fair housing and equal opportunity laws, labor standards, and Section 3

The competitive scoring criteria in the NOFA will include, but may not be limited to:

- Project readiness based on status of local land entitlements and permitting
- Project readiness based on whether the project can reasonably start construction within 180 days
- Project readiness based on the status of the National Environmental Policy Act environmental review
- Application includes local support in the form of a letter or resolution from the town, city, or county that is responsible for entitlements and the California Environmental Quality Act environmental review
- Project proximity to damaged areas from DR-4558 or DR-4569
- Leveraging ratio

- Deep affordability targeting to households earning 30 percent or less of area median income,
- Demonstration of developer capacity to successfully implement the project within program timeframes.

Replace:

Program Competitive Application Universal Scoring Criteria

Applications that pass the initial threshold review will be scored using the Universal Scoring Criteria. In the event of tied point scores, HCD shall rank tied applications based on three factors pursuant to the tie-breaker system detailed in the Universal Scoring Criteria: the lowest weighted average affordability of all residential Units, leverage of other funds, and cost containment.

Incomplete applications or others not expected to receive an award of funds due to relatively low scores may not be fully evaluated.

A. Summary

The criteria detailed below and summarized in the following table shall be used to rate applications:

Universal Point Score Criteria (Used in Project ranking separate from Threshold Review)		
	Criterion	**Maximum Score**
Universal Scoring Criteria	Extent to Which the Project Serves Households at the Lowest Income Levels	30
	State Policy Priorities	20
	Project Sponsor and Property Management Experience	20
	Project Readiness	27
	Infill / Proximity to Amenities / Sustainable Building Methods	15
	Cost Containment	5
Total Possible Universal Points		117

B. Extent to which the Project serves households at the lowest income levels

(30 points maximum)

Applications will be scored based on the percentage of Restricted Units limited to various percentages of AMI, adjusted by household size, and as follows:

1. A maximum of 30 points will be awarded based on the Lowest Income Points Table below.
2. Each “Percent of AMI” category may be used only once. For instance, 50 percent of Restricted Units at 50 percent of AMI cannot be used twice for 100 percent of Units at 50 percent AMI and receive 25 points, nor can 50 percent of Restricted Units at 50 percent of AMI for 12.5 points and 40 percent of Restricted Units at 50 percent of AMI be used for an additional 10 points. However, the “Percent of Restricted Units” may be used multiple times. For example, 50 percent of Restricted Units at 50 percent of AMI for 12.5 points may be combined with another 50 percent of Restricted Units at 45 percent of AMI to achieve the maximum points.

Lowest Income Points Table											
Percent of AMI											
Percent of Restricted Units		**65%**	**60%**	**55%**	**50%**	**45%**	**40%**	**35%**	**30%**	**25%**	**20% & below**
	50%	5	7.5	10	12.5	16.9	17.5	18.75	30	30	30
	45%	5	6.75	9	11.25	16.9	17.5	18.75	30	30	30
	40%	5	6	8	10	15	17.5	18.75	27.5	30	30
	35%	4.4	5.25	7	8.75	13.15	17.5	18.75	25	27.5	30
	30%	3.75	4.5	6	7.5	11.25	15	18.75	22.5	25	30
	25%	3.15	3.75	5	6.25	9.4	12.5	15.65	18.75	21.9	25
	20%	2.5	3	4	5	7.5	10	12.5	15	17.5	20
	15%	1.9	2.25	3	3.75	5.65	7.5	9.4	11.25	13.1	15
	10%	1.25	1.5	2	2.5	3.75	5	6.25	7.5	8.75	10

To receive <u>any</u> points in this category, at least 10 percent of the Restricted Units must be restricted to households with incomes not exceeding 30 percent of AMI.

The percentage of restricted units must be rounded to the nearest whole percentage point (i.e. 29.7% rounds to 30.0%).

Example:

10% of units at 30% AMI	7.5
15% of units at 40% AMI	7.5
50% of units at 50% AMI	12.5
25% of units at 65% AMI	3.15
Total Points scored	30.35 (Max 30)

Deeply Affordable Units - those Units with up to 30 percent AMI targeting - cannot be concentrated among a Project's smaller Units. They must be distributed proportionately across all Unit sizes, or, alternately, more heavily represented among larger Units. To ensure a proportional spread of deeply Affordable Units, at least 10 percent of the larger Units in the Project must be provided at 30 percent of AMI, as applicable. So long as the Applicant meets the 10 percent standard Project-wide, the 10 percent standard need not be met among all the smaller Units.

Example:

60 Total Units in Project	Required ELI Units (30% AMI)
18 three-bedroom	2 Units
21 two-bedroom	2 Units
21 one-bedroom	2 Unit
Total (10%)	6 Units

C. State Policy Priorities

(20 points maximum)

a. (5 points maximum) Five points will be awarded for Projects located in a "High Resource" or "Highest Resource" Area as shown on the TCAC/HCD Opportunity Area Map

Once Projects receiving 5 points pursuant to paragraph (1) have been ranked according to the scoring criteria and as further described in the NOFA and recommended for award in the amount of 50 percent of all Program funds available in a geographic set-aside region as outlined in Figure 105: Method of Distribution, remaining Projects shall not receive 5 points for meeting the requirements of this paragraph.

b. Total Percentage of DR-MHP funded Units Serving Special Needs Populations (10 points maximum)

Chronically Homeless, Homeless via Coordinated Entry System (CES) or Other Special Needs	
Total percent of DR-MHP funded Units	Points
25%+	10 points
16-24%	9 points
10-15%	8 points

Special Needs or Special Needs Population(s) means one or more of the following groups who need Supportive Services to maintain and stabilize their housing: (1) people with disabilities; (2) At Risk of Homelessness, as defined in 24 CFR Part 578.3; (3) individuals with substance use disorders; (4) frequent users of public health or mental health services, as identified by a public health or mental health agency; (5)

individuals who are fleeing domestic violence, sexual assault, and human trafficking; (6) individuals who are experiencing Homelessness and individuals experiencing Chronic Homelessness as defined under the federal Continuum of Care Program at 24 CFR Part 578.3; (7) homeless youth as defined in Government Code Section 12957, subdivision (e)(2); (8) families in the child welfare system for whom the absence of housing is a barrier to family reunification, as certified by a county; (9) individuals exiting from institutional settings or at risk of placement in an institutional setting; (10) Older Adults in Need of Supportive Services; or (11) other specific groups with unique housing needs as determined by the Department.

Special Needs Populations does not include "seniors or veterans" unless they otherwise qualify as a "Special Needs Population" as required by other statutory laws.

c. Public Excess Lands (5 points maximum)

Five points will be awarded if a new construction Project is located on a site designated as excess land under Executive Order N-06-19 or any land declared surplus by a local agency.

i. For excess state-owned property, the Project must be located on a site selected under EO-N-06-19 to enter into a ground lease with the state to create affordable housing on excess state-owned property.

ii. For surplus land owned by a local agency, including transit agencies:

1. Land donations made in fee title must be supported by a transfer agreement and demonstrated written conformance with the Surplus Land Act.
2. Land donations made as a low-cost, long-term lease must be supported by written conformance with Surplus Land Act, and a Post-Negotiation Notice and Proposed Disposition Summary.

D. Project Sponsor/Applicant and Property Management Experience

(20 points maximum)

"Projects" as used in paragraph (1) and (2) below means Rental Housing Developments of over five Affordable Units that are subject to a recorded Regulatory Agreement, or, in the case of housing on Indian Country, where federal HUD funds have been utilized in affordable rental developments. Points in paragraphs (1) and (2) will be awarded in the highest applicable category and are not cumulative. For points to be awarded in paragraph (2), an enforceable management agreement executed by both parties for the subject application must be submitted at the time of application.

By applying for and receiving points in these categories, Applicants certify that the property shall be owned and managed by entities with equivalent experience scores for the entire Regulatory Agreement period.

a. Development and Ownership Experience. Applications will be scored based on the number of subsidized rental housing Projects (including tax credit Projects) that the Sponsor/Applicant has completed and operated and whether the Sponsor/Applicant is subject to penalties pursuant to paragraph (3) below.

For completed Projects, a Sponsor/Applicant may include the experience of its controlled affiliated entities or its principals (e.g., employed by, and under the control of the Sponsor/Applicant and responsible for managing development activities), but not the experience of non-management board members. A Sponsor/Applicant may include the experience of a partner (e.g., Joint Venture partners pursuant to Appendix A of the Guidelines) to gain experience points; however, the experienced partner must have a controlling interest in the Project's ownership and a substantial and continued role in the Project's ongoing operations, as evidenced in the organizational documents for the owner. Experience among partners shall not be aggregated. Any change in the ownership that reduces the Sponsor's/Applicant's role shall require prior written approval by the Department.

If a Sponsor/Applicant relies upon the experience of its Principal for scoring, documentation of the Principal's experience is required as set forth in the NOFA and application.

To receive points under this paragraph the following conditions must be met:

i. Submit a certification that the Projects for which points are requested have maintained Fiscal Integrity for the year in which each Rental Housing Development's last financial statement has been prepared, a positive operating cash flow from typical residential income alone and have funded reserves in accordance with the partnership agreement and any applicable loan documents.

To obtain points for Projects previously owned, a certification must be submitted with respect to the last full year of ownership by the Sponsor/Applicant, along with verification of the number of years that the Project was owned by that Sponsor/Applicant. To obtain points for Projects previously owned, the ending date of ownership or participation must be no more than ten years from the application deadline.

Points are available as follows:

1-2 projects in service more than 3 years, at least one shall be Department- regulated or projects utilizing low-income housing tax credits allocated by TCAC	5 points
3-4 projects in service more than 3 years, of which 1 shall be in service more than 5 years and 2 shall be Department- regulated or projects utilizing low-income housing tax credits allocated by TCAC	10 points

5 or more projects in service more than 3 years, of which 1 shall be in service more than 5 years and 2 shall be Department-regulated or projects utilizing low-income housing tax credits allocated by TCAC	15 points
For Special Needs Projects with experience serving Target Population(s) proposed to be served in the application, points are available as described above or as indicated below.	
The Developer shall have three or more years' experience serving the Target Population(s) proposed to be served in the application.	
1 <u>Special Needs</u> project in service more than 3 years	5 points
2-3 Special Needs projects in service more than 3 years, of which 1 shall be in service more than 3 years and 1 shall be Department- regulated or projects utilizing low-income housing tax credits allocated by TCAC	10 points
4 or more Special Needs Projects in service more than 3 years, of which 1 shall be Department- regulated or a project utilizing low-income housing tax credits allocated by TCAC.	15 points

Pursuant to the DR-MHP Policies and Procedures to be developed, Applicants with fewer than four active Rental Housing Developments in service more than three years shall contract with a bona-fide management company which itself earns a minimum total of five Property Management Experience points at the time of application.

ii. To obtain development and ownership experience points, Tribal Entities may contract with a Developer who will not be the Project owner and may receive points commensurate with the Developer's experience pursuant to (a) above.

For purposes of this subparagraph only, a Developer is defined to include an entity pre-approved by the Department that has developed but not owned the requisite number of projects described in (a above and that provides the certification described in (a) above for the projects for which experience points are requested. If the projects for which the entity requests experience points do not include two Department-regulated projects in service more than three years, the Tribal Entity shall also contract with a bona-fide management company which itself earns a minimum total of 5 Property Management Experience points at the time of application. For this purpose, only, "develop" shall mean developing the project scope and timeline, securing financing, hiring, or performing the services of a general contractor, and overseeing completion of construction and placement in service as well as asset managing the project for at least three years after construction completion. When seeking the Department's pre- approval, the entity shall provide fully executed copies of contracts demonstrating the Department's criteria for "develop" as specified above have been met.

The contract shall be in effect at least until the Project's stabilized occupancy (90 percent occupancy for single room occupancy (SRO) and Special Needs Projects and 95 percent for all other projects), completion of all permanent loan closings, and achievement of all stabilization milestones of the Project's ownership agreement. Tribal Entities exercising the option under this subparagraph (B) to contract with a Developer for these experience points shall also contract for asset management for at least the term of the 15-year federal compliance period with an entity that has provided three years of asset management for at least two Department-regulated Projects.

b. Property Management Company Experience. To receive points under this paragraph, the property management company must meet the following conditions:

   i. To obtain points for projects previously managed, the ending date of the property management role must be no more than ten years from the application deadline. In addition, the property management experience with a project shall not pre-date the project's construction completion date. Points are available as follows:

1 project managed over 3 years	1 point
2-4 projects managed over 3 years, of which 1 shall be Department-regulated or projects utilizing low-income housing tax credits allocated by TCAC	2 points
5-7 projects managed over 3 years, of which 1 shall be Department-regulated or projects utilizing low-income housing tax credits allocated by TCAC	3 points
8-10 projects managed over 3 years, of which 2 shall be Department-regulated or projects utilizing low-income housing tax credits allocated by TCAC	4 points
11 or more projects managed over 3 years, of which 2 shall be Department-regulated or projects utilizing low-income housing tax credits allocated by TCAC	5 points
For Special Needs Projects, points are available as described above or as follows:	
4 or more Special Needs Projects in service more than 3 years, of which 1 shall be Department-regulated or a project utilizing low-income housing tax credits allocated by TCAC.	5 Points

When contracting with an experienced property management company under the terms of paragraphs (1) or (2) above, the Sponsor/Applicant or property co-management entity must obtain training in: project operations, on-site certification training in federal fair housing law, and manager certification in Internal Revenue Code (IRC) Section 42 Low Income Housing Credit Program requirements from a CTCAC-approved, nationally recognized entity. Additionally, the experienced property management agent or an equally experienced substitute, must remain for a period of at least three years from the construction completion date (or, for ownership transfers, three years from the sale or transfer date) to allow for at least one HCD monitoring visit to ensure the Project is in compliance with HCD requirements for inspection and monitoring contained in the Regulatory Agreement. Thereafter, the experienced property manager may transfer responsibilities to the remaining general partner or property management firm following formal written approval from HCD.

c. Negative Points – An application will be assessed negative points based on performance penalties assessed pursuant to the Department's Negative Points Policy (Administrative Notice Number 2022-01) amended November 9, 2022, as may be amended from time to time. If the Applicant is subject to a negative points assessment based on the criteria outlined in the Department's Negative Points Policy or is determined to be ineligible for funding, HCD shall notify the Applicant in writing in the initial point score letter.

Negative points will be assessed as a reduction to the score earned under paragraphs (1) and (2) above and will serve as the final score for this criterion. For example, if a Project earns 15 points under paragraph (1) Development and ownership experience and 5 points under paragraph (2) Property Management Company Experience but is assessed 3 negative points, the final score for this criterion would be 17 (15 + 5 - 3).

If the Sponsor/Applicant is subject to negative points assessment, HCD shall notify the Sponsor/Applicant in writing within the point score letter and will provide opportunity to appeal negative points assessment pursuant to the appeals process as set forth in the NOFA.

E. Project Readiness

(27 points maximum)

Points will be awarded to Projects under each of the following rating factors as documented in the application and as indicated below. If a particular rating factor is not applicable, full points shall be awarded in that category.

a. Financing Commitments (10 points maximum)

i. Five points will be awarded for evidencing Enforceable Funding Commitments for all construction financing, excluding:

1. funds applied for under the DR-MHP NOFA;
2. an allocation of tax-exempt bonds; and
3. 4 percent or 9 percent tax credits.

For Projects with bond financing, lender commitment of bond financing is required for these points.

ii. Five points will be awarded for evidence of Enforceable Funding Commitments for all permanent financing, grants, project-based rental assistance, and operating subsidies, excluding: funds applied for under the DR-MHP NOFA, an allocation of tax-exempt bonds, and 4 percent or 9 percent tax credits. For Projects with bond financing, any applicable permanent lender commitment of bond financing is required for these points.

For both construction financing commitments and permanent financing commitments, the assistance will be deemed to be an Enforceable Funding Commitment as this term is defined in the Program Policies and Procedures, if it has been awarded to the Project or if the Department approves other evidence that the assistance will be reliably available. Contingencies in commitment documents based upon the receipt of an allocation of tax-exempt bonds, 4 percent tax credits or 9 percent tax credits will not disqualify a source from being counted as committed.

To receive points under paragraphs (a) and (b) above for deferred payment financing, grant funds, or subsidies from other Department programs, these funds must be awarded prior to finalizing the preliminary point scoring of applications under the DR-MHP NOFA.

b. Local and Environmental Approvals (15 points maximum)

i. Land use approvals (10 points maximum) – Points will be awarded under item i, ii, or iii below.

1. Ten points will be awarded for obtaining all land use approvals or entitlements necessary prior to issuance of a building permit, including any required discretionary approvals. Notwithstanding this requirement, design review, variances, and development agreements are not required to be completed. Project sites where the planning department confirms eligibility for streamlined ministerial approval (including but not limited to the Senate Bill 35 (2017) Streamlined Ministerial Approval Processing) are eligible for these points.

2. Five points will be awarded for submission of a complete application to the relevant local authorities for land use approval under a Nondiscretionary Local Approval Process, where the application has been neither approved nor disapproved.

3. One point will be awarded for a letter signed by a planner certified by the American Institute of Certified Planners indicating that, in their opinion, the Project meets all of the requirements for approval under a Nondiscretionary Local Approval Process, where an application has not been approved or disapproved by the local authorities.

ii. Environmental Approvals (5 points maximum) – Points will be awarded for submission of a local certification of California Environmental Quality Act (CEQA) exemption or completion and submission of:

1. A Complete Draft Environmental Assessment with source documentation;

2. A Complete Draft National Environmental Policy Act (NEPA) Categorically Excluded – Subject to 58.5 review with source documentation; or

3. A signed Authority to Use Grant Funds from HUD or other appropriate federal agency, supported with the underlying environmental review document and source documentation.

Note: The Project's NEPA Authority to Use Grant funds must be received prior to the construction loan closing. It is not necessary to have the Authority to Use Grant Funds at the application stage.

c. Organizational Documents (2 points maximum) – Points will be awarded if the ultimate borrowing entity, including all affiliated entities, is fully formed and all required organizational documents are submitted with the application.

F. Infill / Proximity to Amenities / Sustainable Building Methods

(15 points maximum)

Applications will receive 5 points for each of paragraphs 1-3 of the following three conditions, up to a maximum of 15 points as defined below:

- Infill development and Net Density
- Proximity to amenities
- Sustainable building methods

a. Infill development and Net Density. Five points will be awarded for infill development located in a developed area served with public infrastructure. The Project must meet one of the following requirements of (a) or (b) below:

i. Located on a site where either:

1. At least 75 percent of the site was previously improved (including areas where improvements have been demolished) or used for any use other than Open Space, agriculture, forestry, or mining waste storage; or

2. At least 75 percent of the perimeter of the site's adjoining parcels that are developed with Urban Uses (residential, commercial, industrial, public institutional, transit or transportation passenger facility use, or retail use, or any combination of those uses) but not including lands used for agricultural uses or parcels in excess of 15,000 square feet in size and containing only one single family residence, or is separated from parcels that are developed with Urban Uses only by an improved public right-of-way. In calculating this percentage, perimeters bordering navigable bodies of water and improved Parks shall not be included; or

3. The combination of at least 50 percent of site area as previously improved (including areas where improvements have been demolished) or used for any use other than Open Space, agriculture, forestry, or mining waste storage, and at least 50 percent of the perimeter of the site adjoining parcels that are developed with Urban Uses or is separated from parcels that are developed with Urban Uses only by an improved public right-of-way. In calculating this percentage perimeters bordering navigable bodies of water and improved Parks shall not be included.

ii. Developed at average residential Net Densities on the parcels to be developed that are greater than the densities described below:

1. For an incorporated city within a nonmetropolitan county and for a nonmetropolitan county that has a micropolitan area: sites allowing at least 20 Units per acre.
2. For an unincorporated area in a nonmetropolitan county not included in clause (i): sites allowing at least 15 Units per acre.
3. For a suburban jurisdiction: sites allowing at least 25 Units per acre.
4. For a jurisdiction in a metropolitan county: sites allowing at least 45 Units per acre.
5. For a Rural Area: sites allowing at least 15 Units per acre.

b. Proximity to amenities. Maximum of 5 points.

Projects will receive 1/3 point per site amenity point that would be awarded under TCAC Regulations, Title 4 CCR, Division 17, Chapter 1, Section 10325(c)(4)(A) or successor regulation (In TCAC regulations, this is a 15-point category, however, achieving all 15 points under TCAC translates to 5 points under this category).

Transit points must be for a Transit Station or Major Transit Stop and distance must be measured by a Walkable Route.

c. Sustainable building methods. Points will be awarded based on the following (up to a maximum of 5 points):

i. 2.5 points will be awarded if the Project supports the implementation of a sustainable community's strategy or alternative planning strategy that has been determined by the California Air Resources Board to achieve the region's greenhouse gas emissions target or other adopted regional growth plan intended to foster land use. Consistency with such plans must be demonstrated by a letter or resolution executed by an officer or an equivalent representative from the metropolitan planning organization, regional transportation agency, planning, or local transportation commission.

ii. If a sustainable community's strategy is not required for a region by law, 2.5 points will be awarded if the Project supports a regional plan that includes policies and programs to reduce greenhouse gas emissions. Evidence of consistency with such plans must be demonstrated by a letter or resolution executed by an officer of, or an equivalent representative from, the metropolitan planning organization or regional transportation planning agency or local transportation commission.

iii. A Project in which not less than 50 percent of the land area is within a Transit Priority Area shall receive 2.5 points. Evidence of Project location within, or partially within, a Transit Priority Area must be demonstrated by a letter or resolution executed by an officer of, or an equivalent representative from, the metropolitan planning organization, regional transportation planning agency, or local transportation commission.

iv. Five points will be awarded for a Project that is designed to achieve green building status beyond State mandatory building code requirements as verified upon construction completion by a certified LEED Green rater, certified Green Point rater, or licensed engineer. Applicants may select from the following green building certification programs:

Program	Minimum Required Tier or Designation
CalGreen	Tier 2
U.S. Green Building Council LEED Certification	Gold
Green Point Rated	New Construction: Gold Rehabilitation: Whole Building
ENERGY STAR	Certified Home
Living Future Challenge	Living Building

v. Three points for Projects that achieve near electrification – Projects where two out of three of the major energy appliances (cook stoves, space heating, water heating) are electric. Projects must be wired to be electric-ready, defined as having 240 volts outlets near each gas appliance.

Five points will be awarded for Projects that are powered entirely through electricity with no connections to natural gas infrastructure.

G. Cost Containment

(5 points maximum)

A project shall receive 1 point for each full percent that the Project's eligible basis is less than the Project's adjusted threshold basis limit, up to a maximum of 5 points. The percentage is calculated by dividing the Project's eligible basis by the Project's adjusted threshold basis limit.

$$\frac{\text{Total Eligible Basis per the Development Budget}}{\text{Adjusted Threshold Basis Limit}}$$

(Per California Debt Limit Allocation Committee (CDLAC) Regulation Section 5230)

For purposes of this subdivision, a Project's adjusted threshold basis limit shall be the Project's threshold basis limit, as if it were a 4 percent LIHTC project, as determined pursuant to Section 10327(c)(5) of the TCAC regulations, except that the increase for deeper targeting pursuant to Section 10327(c)(5)(C) of the TCAC regulations that is multiplied by the unadjusted threshold basis limit shall be limited to 80 percent. Section 10327(c)(5) of the TCAC regulations states that for Projects financed through CDLAC, "an increase of one percent in the threshold basis limits shall be available for every 1 percent of the project's Low-Income and Market Rate Units that will be income and rent restricted at or below 50 percent but above 35 percent of AMI. An increase of 2 percent shall be available for every 1 percent of the project's Low-Income and Market Rate Units that will be restricted at or below 35 percent of AMI. In addition, the applicant must agree to maintain the affordability period of the project for 55 years (50 years for projects located on Tribal Trust Land)." The Department, however, will only restrict to income levels in 5 percent increments.

Any Project may be subject to performance penalties if the Project's total eligible basis determined upon construction completion exceeds the revised total adjusted threshold basis limits for the year the Project completes construction (or the original total eligible threshold basis limit if higher) by 40 percent.

H. Tiebreaker Score

(5 points maximum)

In the event of tied point scores, the Department shall rank tied applications based on three factors which will be implemented in sequence. The three factors are: (1) the lowest weighted average affordability of all residential Units, (2) leverage of other funds, and (3) additional cost containment. If after review of the first factor the application(s) remain tied, the second factor shall be calculated. If after review of the second factor, the application(s) remain tied, the third factor shall be calculated. The tiebreaker scoring calculation is explained below.

1. Lowest weighted average affordability of all residential Units.

   a. Multiply each income limit applicable to the Project by the number of adjusted residential Units restricted at that income level (market rate Units, which do not include Units subject to Rent and/or occupancy restrictions at 70 percent or 80 percent AMI, shall be designated 100 percent AMI). Unrestricted Manager's Unit(s) are excluded from this calculation.

      To calculate adjusted residential Units, multiply the residential Units of a Unit Type (bedroom count) by the following adjustment factors:

Unit Type	Adjustment Factor
Studio/SRO	0.90
1-Bedroom	1.00
2-Bedroom	1.25

3-Bedroom	1.50
4-Bedroom or larger	1.75

For purposes of this calculation:

- Units with federal project-based rental assistance shall be assigned targeted Rent levels of 30 percent AMI regardless of their actual income targeting; and
- If the average affordability of all unadjusted residential Units, exclusive of Units with rental assistance, is less than 40 percent AMI, then the calculation shall assume a targeted Rent level of 40 percent AMI for each residential Unit that does not have rental assistance.

b. Add the products calculated pursuant to the previous paragraph.

c. Divide the sum calculated pursuant to the previous paragraph by the total number of adjusted residential Units in the Project to obtain the average affordability.

d. Subtract (c) from 1.0.

2. Leverage of other funds.

a. Applications will be scored based on the leverage of other soft funds, meaning local public funds, including land donations or fee waivers to be used for permanent funding of the development costs attributable to the Restricted Units as a percentage of the total Project development cost.

Local public land donations will be counted as leveraged funds where the value is established with a current appraisal, with the amount discounted to reflect a purchase price that is lower than the appraised value, or any fees, or other reliably predictable payments required as a condition of the donation.

b. The capitalized value of Rent differentials attributable to public project-based rental or public operating subsidies, based upon TCAC underwriting standards. Standards shall include the following and shall be annually aligned with TCAC standards for these capitalized values to the extent possible: a 15-year loan term; an interest rate based upon a spread over 10-year Treasury Bill rates; a 1.15 to 1 debt service coverage ratio; and a five percent vacancy rate.

The rental income differential for subsidized Units shall be established by subtracting rental income at 40 percent AMI levels (30 percent AMI for Special Needs Units with project-based rental assistance) from the committed contract Rent income documented by the subsidy source. In the case of a USDA rental subsidy only, the contract Rent income is the higher of 60 percent AMI rents or the committed contract USDA Basic rents. The committed contract Rent income for Units with existing project-based Section 8 rental subsidy shall be documented by the current monthly contract Rent in place at the time of the application or by contract Rent committed to and approved by the subsidy source (HUD); Rent from a Rent comparable study or post-Rehabilitation Rent shall not be permitted.

The Rent differential for Projects with public operating subsidies shall equal the annual subsidy amount in year one, provided the subsidy will be of a similar amount in succeeding years, or the aggregate subsidy amount of the contract divided by the number of years in the contract if the contract does not specify an annual subsidy amount.

c. Add the sum of all eligible soft funds as set forth in paragraphs (a), (b) and (c).

d. Divide (d) by total Project development cost and express as a decimal.

3. Additional Cost Containment. The “additional cost containment” category for the Tiebreaker follows the same methodology as the Cost Containment scoring category above, in Scoring Category G. This factor is calculated by dividing the Project’s eligible basis by the Project’s adjusted threshold basis limit as illustrated below:

Total Eligible Basis per the Development Budget
Adjusted Threshold Basis Limit (Per CDLAC Regulation Section 5230)

For purposes of this subdivision, a Project's adjusted threshold basis limit shall be the Project's threshold basis limit, as if it were a 4 percent LIHTC Project, as determined pursuant to Section 10327(c)(5) of the TCAC regulations, except that the increase for deeper targeting pursuant to Section 10327(c)(5)(C) of the TCAC regulations that is multiplied by the unadjusted threshold basis limit shall be limited to 80 percent. Section 10327(c)(5) of the TCAC regulations states that for Projects financed through CDLAC, “an increase of one percent in the threshold basis limits shall be available for every 1% of the Project's Low-Income and Market Rate Units that will be income and rent restricted at or below 50 percent (50%) but above thirty-five percent (35%) of Area Median Income (AMI). An increase of two percent (2%) shall be available for every 1% of the Project's Low-Income and Market Rate Units that will be restricted at or below 35% of AMI. In addition, the Applicant must agree to maintain the affordability period of the Project for 55 years (50 years for Projects located on tribal trust land).” The Department, however, will only restrict to income levels in 5 percent increments.

Percentages shall not include any percentage points requested or awarded (up to 5 percent) pursuant to the Cost Containment point category. The maximum percentage shall be 25 percent.

Note: Any Sponsor may be subject to future performance penalties if the Project’s total eligible basis determined upon construction completion exceeds the revised total adjusted threshold basis limits for the year the Project completes construction (or the original total eligible threshold basis limit if higher) by 40 percent.

The calculation in this paragraph (3) is multiplied by 0.75

h. Program Method of Distribution Description/Overview (if applicable) – Page 182

Remove: The regional set asides above represent the total set aside for each region which includes activity delivery costs (ADC). Subsequent to NOFA publication, threshold eligibility reviews, and competitive scoring, allocations to projects will be made to the highest scoring projects within each regional set-aside based on their demonstrated funding gaps, up to MHP funding limits of 40 percent of total development cost and cost allocation for MHP units based on the MHP maximum per-unit subsidy. If a region is over-subscribed, the lowest-ranked project will receive a partial award. If a region is under-subscribed, excess funds from that region will be allocated to the highest-rated project(s) among all projects in other regions that would otherwise receive a partial award. If funds remain after fully funding the remaining gap for the highest rated project(s) among all projects in other regions that would have otherwise received a partial award, funds will be allocated to the next highest rated project(s) among all projects in other regions, and such award may partially or fully address a demonstrated funding gap.

Replace: The regional set asides above represent the total set aside for each region which includes activity delivery costs (ADC). Subsequent to NOFA publication, threshold eligibility reviews, and competitive scoring, allocations to projects will be made to the highest scoring projects within each regional set-aside based on the lower of the demonstrated funding gap or the MHP Maximum Per-Unit Loan Limits. If a region is over-subscribed, the lowest-ranked project will receive a partial award. If a region is under-subscribed, excess funds from that region will be allocated to the highest-rated project(s) among all projects in other regions that would otherwise receive a partial award. If funds remain after fully funding the remaining gap for the highest rated project(s) among all projects in other regions that would have otherwise received a partial award, funds will be allocated to the next highest rated project(s) among all projects in other regions, and such award may partially or fully address a demonstrated funding gap.

Awarded projects that require 4 percent or 9 percent tax credits shall have no more than three (3) tax credit rounds or 18 months to secure tax credits or fill the funding gap before the MHP award expires.

Subsequent to the expiration of any awards made pursuant to the original NOFA, the remaining funds may, at HCD’s discretion, be pooled and all previously awarded projects with a remaining gap may be considered for funding in rank order based on their original NOFA score, without regard to NOFA Regional Set-Aside, to fill the funding gap.

i. Mitigation set-aside activities meet definition of mitigation – Pages 182-183

Remove: The MHP Mitigation Program, which will associate activities with the rehabilitation, reconstruction, or new construction of MHP projects.

Hardening, wildfire retrofitting, of single-family and multifamily units to withstand future disasters meets the definition of mitigation by increasing resilience to future wildfires and reducing or eliminating the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future wildfire events.

The mitigation measures, aligned with the scope of work for rehabilitation or reconstruction, and new construction in the case of MHP, involve initial retrofit or bringing the property up to code with Wildland Urban Interface code standards. The WUI codes identify better construction methods and materials to make buildings more ignition-resistant to wildfire. These standards are based on lab-tested and verifiable performance standards that describe the type a wildfire exposure a building must be able to withstand.

Given the number of multifamily units in the MID, and the increased need for multifamily housing, HCD recognizes the importance of mitigating existing buildings to ensures residents are in fire-protected buildings. Therefore, in addition to funding mitigation measures within the MHP, HCD may provide a set aside for existing multifamily properties to incorporate mitigation rehabilitation to the properties. HCD would make available mitigation funds in a NOFA for existing multifamily property owners to apply for grants for up to $50,000 to bring properties up to WUI standards. Further details including funding, eligibility requirements, and scoring criteria will be submitted in a future substantial Action Plan Amendment.

j. Mitigation set-aside activities address current & future risks – Page 183

Remove:

- The MHP Mitigation Program, which will associate activities with the MHP, addresses local fire hazards with two options for utilizing the mitigation set-aside:
- Any rehabilitation or reconstruction of properties under the MHP are required to incorporate mitigation measures, and the program will fund an amount up to 5 percent of an award to developers to cover the cost of those mitigation measures.
- Current multifamily property owners will be able to apply (via separate NOFA) for up to $50,000 from the set-aside for hardening multi-family units to WUI code standards.

These program features speak directly to the most pressing hazard in communities impacted by DR-4558 and DR-4569 by supporting the physical construction of mitigation measures, as well as codifying mitigation measures into local land use policy.

Replace: The MHP Mitigation Program will provide for rehabilitation of existing vulnerable multifamily affordable rental developments in MID areas.

Hardening, wildfire retrofitting, of single-family and multifamily units to withstand future disasters meets the definition of mitigation by increasing resilience to future wildfires and reducing or eliminating the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future wildfire events.

The mitigation measures, aligned with the scope of work for rehabilitation or reconstruction involve initial retrofit or bringing the property up to code with Wildland Urban Interface code standards. The WUI codes identify better construction methods and materials to make buildings more ignition-resistant to wildfire. These standards are based on lab-tested and verifiable performance standards that describe the type a wildfire exposure a building must be able to withstand.

Given the number of multifamily units in the MID, and the increased need for multifamily housing, HCD recognizes the importance of mitigating existing buildings to ensures residents are in fire-protected buildings. Therefore, in addition to funding mitigation measures within the MHP, HCD may provide a set aside for existing multifamily properties to incorporate mitigation rehabilitation to the properties. HCD would make available mitigation funds in a NOFA for existing multifamily property owners to apply for grants for up to $300,000 to bring properties up to WUI standards. Further details including funding, eligibility requirements, and scoring criteria will be submitted in a future substantial Action Plan Amendment.

5. 5.3 MHP Mitigation – Pages 183-191

a. Program Description – Page 183

Remove: The MHP mitigation set-aside includes two types of applications, similar to OOR. Project scope of work includes protection of MHP properties from future hazards through additional mitigation measures.

MHP projects to rehabilitate or reconstruct multifamily properties, as well as those proposing to newly construct multifamily housing units are required to incorporate mitigation measures. The use of MHP mitigation set-aside allows developers to apply for up to five (5) percent of their CDBG-DR grant to incorporate the mitigation measures required by WUI code standards. Projects will include scope of work to harden the properties to include creation of defensible space zones.

Engaging a second option, existing multifamily property owners may apply to a separate NOFA to receive up to $50,000 in grant assistance from the MHP mitigation set-aside for hardening multifamily units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

Replace: The MHP mitigation allows MHP projects to rehabilitate or reconstruct multifamily properties to incorporate mitigation measures. Existing multifamily property owners may apply to a separate NOFA to receive up to $300,000 in grant assistance from the MHP mitigation set-aside for hardening multifamily units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

b. Project Eligibility – Page 186

Remove: MHP projects to rehabilitate or reconstruct multifamily properties, as well as those proposing to newly construct multifamily housing units are required to incorporate mitigation measures. The mitigation set-aside will aid in funding these proposed projects The use of MHP mitigation setaside allows developers to apply for up to five (5) percent of their CDBG-DR grant to incorporate the mitigation measures required by WUI code standards. Projects will include scope of work to harden the properties to include creation of defensible space zones. The same eligibility requirements in place to fund the rehabilitation, reconstruction, or new construction of multifamily housing apply to the use of the mitigation set-aside for MHP mitigation. Engaging a second option, existing multifamily property owners may apply to a separate NOFA to receive up to $50,000 in grant assistance from the MHP mitigation set-aside for hardening multifamily units to the WUI code standards. Further details of this MHP mitigation activity and NOFA criteria will be forthcoming in a separate substantial action plan amendment.

Replace: MHP projects to rehabilitate or reconstruct multifamily properties are required to incorporate mitigation measures. The mitigation set-aside will aid in funding these proposed projects. The same eligibility requirements in place to fund the new construction of multifamily housing apply to the use of the mitigation set-aside for MHP mitigation. Existing multifamily property owners may apply to a separate NOFA to receive up to $300,000 in grant assistance from the MHP mitigation set-aside for hardening multifamily units to the WUI code standards. Further details of this MHP mitigation activity and NOFA criteria will be forthcoming in a separate substantial action plan amendment.

c. Program Maximum Assistance – page 187

Remove:

- The use of the MHP mitigation set-aside allows developers to apply for up to 5 percent of their CDBG-DR grant for mitigation measures to be integrated into the rehabilitation, reconstruction, or new construction of a multifamily housing project.
- Engaging a second option, existing multifamily property owners may apply to a separate NOFA to receive up to $50,000 in grant assistance from the MHP mitigation set-aside for hardening multi-family units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

Replace:

- Existing multifamily property owners may apply to a separate NOFA to receive up to $300,000 in grant assistance from the MHP mitigation set-aside for hardening multi-family units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

d. Program Estimated Begin and End Dates – Page 187

Remove: The MHP will begin following HUD's approval of the Action Plan and execution of the grant agreement HUD and HCD.

Project awards by HCD are expected in the fall of 2023 and construction will continue through the end of the grant term, or until all projects are complete and funds are expended.

Individual construction timeframes will be specific to each selected application.

Replace: The MHP will begin following HUD's approval of the Action Plan and execution of the grant agreement HUD and HCD.

Project awards by HCD are expected in mid-2024 and construction will continue through the end of the grant term, or until all projects are complete and funds are expended.

Individual construction timeframes will be specific to each selected application.

e. Other Program Details – Page 188-190

Program Competitive Application Overview

Remove: In response to the NOFA, applicants may apply for funds to carry out eligible activities associated with property hardening in addition to rehabilitation and reconstruction. Mitigation set-aside funds are available to cover up to five percent of project costs for activities that meet the mitigation definition. The Action Plan budget includes a set-aside for mitigation for hardening of multifamily properties to include the creation of defensible space zones to reduce wildfire risk. A second option for existing multifamily properties to apply for mitigation funds to harden properties against future wildfire events is described at the end of this section.

Replace: In response to the NOFA, applicants may apply for mitigation funds for existing multifamily properties to harden properties against future wildfire events as described at the end of this section. Further details of this program will be forthcoming in a separate action plan amendment.

Remove: The threshold eligibility review considerations will include, but not be limited to:

- The proposed total MHP investment is 40 percent or less of total development costs

- The project includes at least five units
- The funding request is limited to the amount needed to fill a funding gap
- The project will meet the low- and moderate-income housing national objective by providing at least 51 percent of units to be occupied by households earning less than 80 percent of area median income or based on a pro-rata share of the units as determined by cost allocation performed using the MHP maximum per-unit subsidy
- Project costs are reasonable
- Project is incompliance with all other federal requirements including but not limited to applicable fair housing and equal opportunity laws, labor standards, and Section 3.

The competitive scoring criteria in the NOFA will include, but may not be limited to:

- Project readiness based on status of local land entitlements and permitting
- Project readiness based on whether the project can reasonably start construction within 180 days
- Project readiness based on the status of the National Environmental Policy Act environmental review
- Application includes local support in the form of a letter or resolution from the town, city, or county that is responsible for entitlements and the California Environmental Quality Act environmental review
- Project proximity to damaged areas from DR-4558 or DR-4569
- Leveraging ratio
- Deep affordability targeting to households earning 30 percent or less of area median income,
- Demonstration of developer capacity to successfully implement the project within program timeframes.

Remove: The regional set asides above represent the total set aside for each region which includes ADC. Subsequent to NOFA publication, threshold eligibility reviews, and competitive scoring, allocations to projects will be made to the highest scoring projects within each regional set-aside based on their demonstrated funding gaps, up to MHP funding limits of 40 percent of total development cost and cost allocation for MHP units based on the MHP maximum per-unit subsidy. If a region is over-subscribed, the lowest-ranked project will receive a partial award. If a region is under-subscribed, excess funds from that region will be allocated to the highest-rated project(s) among all projects in other regions that would otherwise receive a partial award. If funds remain after fully funding the remaining gap for the highest rated project(s) among all projects in other regions that would have otherwise received a partial award, funds will be allocated to the next highest rated project(s) among all projects in other regions, and such award may partially or fully address a demonstrated funding gap.

Engaging a second option, existing multifamily property owners may apply to a separate NOFA to receive up to $50,000 in grant assistance from the MHP mitigation set-aside for hardening multi-family units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

Replace: The regional set asides above represent the total set aside for each region which includes ADC. Subsequent to NOFA publication, threshold eligibility reviews, and competitive scoring, allocations to projects will be made to the highest scoring projects within each regional set-aside based on the lower of the demonstrated need or the MHP Maximum Per-Unit Loan Limit. If a region is over-subscribed, the lowest-ranked project will receive a partial award. If a region is under-subscribed, excess funds from that region will be allocated to the highest-rated project(s) among all projects in other regions that would otherwise receive a partial award. If funds remain after fully funding the remaining gap for the highest rated project(s) among all projects in other regions that would have otherwise received a partial award, funds will be allocated to the next highest rated project(s) among all projects in other regions, and such award may partially or fully address a demonstrated funding gap.

Existing multifamily property owners may apply to a separate NOFA to receive up to $300,000 in grant assistance from the MHP mitigation set-aside for hardening multi-family units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

Remove:

The MHP mitigation set-aside includes two types of applications.

MHP projects to rehabilitate or reconstruct multifamily properties, as well as those proposing to newly construct multifamily housing units are required to incorporate mitigation measures. The use of the MHP mitigation set-aside allows developers to apply for up to 5 percent of their CDBG-DR grant for mitigation measures.

Engaging a second option, existing multifamily property owners may apply to a separate NOFA to receive up to $50,000 in grant assistance from the MHP mitigation set-aside for hardening multi-family units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

Replace: The MHP mitigation allows MHP projects to rehabilitate or reconstruct multifamily properties to incorporate mitigation measures. Existing multifamily property owners may apply to a separate NOFA to receive up to $300,000 in grant assistance from the MHP mitigation set-aside for hardening multifamily units to the WUI code standards. Further details of this program will be forthcoming in a separate action plan amendment.

f. Mitigation set-aside activities address current & future risks – page 191

Remove: The MHP Mitigation Program addresses the ubiquitous fire hazard reported across impacted counties with two options:

Any rehabilitation or reconstruction of properties under the MHP are required to incorporate mitigation measures, and the program will fund an amount up to 5 percent of an award to developers to cover the cost of those mitigation measures.

Current multifamily property owners will be able to apply (via separate NOFA) for up to $50,000 from the set-aside for hardening multi-family units to WUI code standards.

Replace: The MHP Mitigation Program addresses the ubiquitous fire hazard reported across impacted counties by allowing current multifamily property owners to apply (via a separate NOFA) for up to $300,000 from the set-aside for hardening multi-family units to WUI code standards.

III. Public Comment

In keeping with the State's Citizen Participation Plan, as articulated in Section 3 of the initial, HUD-approved 2020 Action Plan, HCD published this proposed Action Plan Amendment, Number 2, on the CDBG-DR Action Plan webpage (https://www.hcd.ca.gov/grants-and-funding/disaster-recovery-and-mitigation/action-plans-and-federal-register-notices-frns) in English and Spanish.

APA 2 will be available for public review and comment for thirty (30) days from April 26th through 5:00 p.m. Pacific Standard Time on May 26th, 2023.

Comments can be submitted by the following methods:

• Electronic mail to (DisasterRecovery@hcd.ca.gov);or

• Post mail to Disaster Recovery Section, Attn: Mona Akbar, HCD, 2020 West El Camino Avenue, Suite 200, Sacramento, CA 95833

If submitting comments via regular post mail, please factor delivery time into your mailing date. As above, all comments must be in writing and received by HCD by 5:00 p.m. Pacific Daylight Time on May 26th, 2023.

Residents who require a reasonable accommodation or other assistance to fully participate in the public comment process can request assistance by contacting the HCD Disaster Recovery Section via the same methods, listed above, for submission of public comments.

HCD will consider all public comments received, timely and in writing, via e-mail, or delivered in person at official public hearings regarding this Action Plan Amendment, Number 2. HCD will make public comments available to citizens, public agencies, and other interested parties upon request.

A summary of all comments received, timely, will be included in the final Substantial Action Plan Amendment, Number 2, submitted to HUD for approval. Following HUD approval, all comments received, timely, during the public comment period will be noted and summarized in the final, comprehensive Action Plan, as amended.

Virtual Public Hearing

The following provides a summary of public comments for the 2020 CDBG-DR Action Plan Amendment #2 during the public comment period beginning April 26th, 2023, through May 26th, 2023.

The following transcript is from the virtual public hearing held on May 17th, 2023, as the required public hearing for the 2020 CDBG-DR Action Plan Amendment #2. Questions are from meeting participants and answers are from HCD staff.

1. **Public Comment Question from Hidden Valley Lake Community Services District**

   Why not Lake County?

   HCD Response: Thank you for your comment. Lake County was not identified by HUD as the Most Impacted and Distressed (MID) Area for the 2020 CDBG DR Allocation for CA. Link for the Federal Register Notice: www.govinfo.gov/content/pkg/FR-2022-02-03/pdf/2022-02209.pdf

2. **Public Comment:**

   Will we receive a link for the presentation? Owner-Occupied was not discussed while it appears on the budget slide in the middle.

HCD Response: Yes, the presentation slides will be sent to all attendees. There are no changes to the Owner-Occupied Rehabilitation Program. The budget table is shown on presentation slide 11 is the Budget for all the programs for the 2020 allocation, the budget chart was used as for context. The changes are made to the orange/gold colored programs only; which is Multi-Family Housing Program, Homebuyer Assistance Program, and Multi-Family Mitigation Program.

Public Comment: Thank you for clarifying the highlighted GOLD section was all that was in scope for the call today on the Budget slide It is unfortunate and DESPICABLE that disaster survivors from 2018 and 2020 are still waiting for funding assistance from our State. The Funds were approved by Congress so long ago. My eyes are opened to the term "job security" and what it really means. People who have suffered tremendous loss are just put through the motions. I've heard this same script on previous calls. Scripting in regard to Scoring. Truly shameful. Yet there were promises for GAP Funding.

HCD Response: Thank you for your comment. The Congress allocation was made in November of 2021 and the Federal Register Notice was issued in February of 2022. HCD has 180 Days to submit an Action Plan to HUD. HUD has 60 days to approve our action plan. The funding does not start at the appropriation level. We still have to wait for the FRN and come up with an action plan. There are steps involved before the funding is released.

Public Comment: State policy priorities and the lowest income are not HUD requirements and will make it more difficult for developers in disaster areas.

HCD Response: Thank you for your comment.

Public Comment: Why is HCD not allowing local jurisdictions to run the MHP Programs?

HCD Response: We decided with the 2020 funding allocation being small as it is to run the program directly, so we do not incur administrative or activity delivery cost at subrecipient level

Public Comment by Butte County: And if local jurisdictions (Butte) had received the MHP allocation we would have already gone out for proposals....

HCD Response: Thank you for your comment.

Public Comment: If a jurisdiction has a homebuyer assistance program they cannot apply for funding because you are using a contractor?

HCD Response: That is correct. This will be directly assisted from our subrecipient to potential home-owners.
Public Comment: Can a project developer do more than I project or limited to 1 project?

HCD Response: Yes, for the MHP Program, we do not have any restriction on the number of projects as long as it is demonstrated within the developer's capacity to successfully complete all projects within the required expenditure deadlines as set forth by HUD in the Federal Register Notice.

Public Comment: Is there any limits on the funding other than the MHP Per Unit limits?

HCD Response: At this time, limit is the higher of demonstration need or the per-unit subsidy limit as published by the FHA for Disaster Funding of the component.

Public Comment: Funding can be up to 40% of the project funding cost? Is that stil part of the program or has it been changed?

HCD Response: That was for the policy 2017 and 2018 CDBG Program. This is based on the per unit subsidy limit per FHA limit based on number of bedrooms.

Public Comment: Why is HCD not allowing local jurisdictions to run the MHP Programs.

HCD Response: It is most efficient to operate the small allocation in the manner of Notice of Funding availability directly.

Public Comment: Would there be any instance where you would have new construction project with the mitigation funding?

HCD Response: At this point, one of the objectives of this action plan amendment is to remove that eligible use so that multi-family mitigation use will be only available for existing multi-family to bring them to the WUI Standard.

Public Comment: On the slides, timeline of the different substantial amendments, funds will not be available till middle of 2024, when will the NOFA be out and scored? Are the funds available when the scoring is done, or get grants documents done? Give me the timeline?

HCD Response: HCD Timeline regarding NOFA scoring, and application is not part of this action plan amendment, it is still under determination. At this time, we are hoping for an estimated Q3 there are several factors playing for this timeline included when this action plan accepted by HUD and if there is indeed additional action plan amendments needed prior to the release of Notice of Funding availability.

Public Comment: With the third quarter - do you think that it will be possible to apply for round 1 tax credits?

HCD Response: Tax credit allocation committee has not published their 2023 Calender so we cannot comment on that yet.

Public Comment: if a sub recipient already geared up for 2017 or 2018, they already have the infrastructure to run the MHP program. Also, as we saw from this round of tax credits, there aren't enough to fund the CDBG-DR projects from 2018.

Written Public Comment

The following questions were received in writing by HCD staff during the required 30-day public comment period for the 2020 CDBG DR Action Plan Amendment #2.

a. **Public Comment – Email letter received 5/17/23 from Community Housing Improvement Program (CHIP).**

CHIP

May 26, 2023

Mona Akbar
Disaster Recovery and Response Unit
Dept. of Housing and Community Development
2020 West El Camino Avenue, Suite 200
Sacramento, CA 95833

RE: Public Comment from the County of Butte on the Draft Mitigation Action Plan Amendment 2 (APA 2) of the 2020 CDBG-DR Action Plan

Dear Ms. Akbar,

I appreciate the opportunity to comment on the Draft 2020 Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan Amendment 2.

Our region is still reeling from the losses of back-to-back disasters and desperately needs the funding allocated by the federal government through the CDBG-DR program to support our recovery. Unfortunately, the changes made to the 2020-CDBG-DR Action Plan will make our work even more difficult. The changes are counterintuitive to what a healthy, efficient disaster recovery should look like based on the recent successes we've achieved in our community. I share my perspective with you in the hopes that survivors of past and future disasters are given a fair chance to obtain and effectively utilize the funding that is set aside for them. We hope the State will choose to support local jurisdictions, be inclusive of our needs, and trust that we are the experts in our own disaster recoveries.

Community Housing Improvement Program (CHIP) is a nonprofit, affordable housing developer located in Butte County. We have built nearly 3,000 units of affordable housing in our region, including single-family homeownership and multi-family rental housing. We were directly impacted by the 2018 Camp Fire, with the loss of our 36-unit LIHTC property located in Paradise, and losses experienced by staff, friends, and family. The 2020 North Complex Fire (DR-4558) further exacerbated the devastation and loss of naturally occurring affordable housing, accelerating the affordable housing crisis in our region.

Despite these challenges, our disaster recovery response is building momentum. In Butte County, the local jurisdictions have demonstrated a commitment to using the funds to restore housing for low-mod families, implement creative solutions, integrate resilient building practices, and leveraging additional resources to help achieve community-wide recovery. Nearly 2,000 units of multi-family housing is in the pipeline, the Town of Paradise was identified by the Department of Finance as one of the fastest growing cities in the state, and our region is at the forefront of developing strategies for community-wide resiliency. CHIP has been active in recovery efforts, successfully rebuilding Paradise Community Village, building new 6 self-help homeownership properties, completing 6 single family rentals (utilizing CDBG-DR funding on 4), and starting several new multi-family affordable housing projects (203 units). The state has been an important partner in supporting these efforts.

CHIP

However, the philosophical underpinnings of the differences between the 2020 CDBG-DR Action Plan and the Action Plans for earlier disasters are seriously flawed. The State of California has determined that it has a better understanding of the unmet needs of the survivors of disasters than the local jurisdictions who are actually a part of the impacted communities. The state has decided to further consolidate control and decision making at the state level, reducing the input and ability of local jurisdictions and service providers to direct essential CDBG-DR funding to those who need it most. The greatest flaw of these proposed changes has been the near elimination of local decision making.

In the 2017 & 2018 CDBG-DR Action Plans the state decided to centrally manage the OOR (Owner-Occupied Rehab) portion of the funding allocation. The execution of this program has been extremely problematic. It is inefficient, expensive, and nearly impossible for survivors to navigate. Our local community has needed to continue to provide extensive privately-funded case management to support survivors through the process—even though the vendor promised case management. The cost overruns for this program are extreme, with home building costs outpacing local trends. Yet, despite this glaring example of the problems and inefficiencies that can come with state-run disaster recovery programs, the state has decided to further centralize disaster recovery by taking full control of the multi-family program, determining how mitigation dollars should be used in local communities (and creating another state-run program to expend them), and forming a new state-run program to manage homebuyer assistance.

While the owner-occupied housing mitigation program, multi-family mitigation program, and homebuyer assistance programs are all worthy and important programs, they were not developed in partnership with the local jurisdictions. They were a decision made at the state level that this is the best way to spend these dollars in local communities. And given the example of the OOR program, there is a very real fear that they will not be effective.

One of the arguments made for centralizing the multi-family housing program is that local jurisdictions don't have the experience to run the program. The reality is that many of the jurisdictions who have a 2020 set-aside also have either a 2017 or 2018 allocation and already have systems in place to run the program. In Butte County, the local jurisdictions have proven efficient and effective in identifying projects and shepherding them through the application and approval process. All of the funding from 2018 has been allocated and several projects are under construction.

The implication of the state deciding to take over the multi-family program, is that they know best how to determine which projects meet the needs of disaster survivors. They have chosen to apply state housing priorities to disaster-effected communities by using HCD's multifamily Universal Scoring Criteria to rank the projects, effectively hijacking dollars intended to help communities recover to help meet state housing goals. Projects that provide permanent supportive housing and serve special populations get a scoring bonus. These federally-allocated dollars are intended to help local communities and the survivors of a disaster recover – they are not intended to help the state meet its homeless housing goals. Further, the state's Universal Scoring Criteria benefits projects in "opportunity maps." These maps allegedly identify areas of "highest resource," but are incredibly flawed in rural communities and do not recognize the true opportunities in our region. The layering on of this scoring criteria indicates that the state believes that local jurisdictions who are supporting their communities to rebuild after a disaster do not know the best places to locate affordable housing. I can assure you; the local jurisdictions are in the best position to make the right decisions, which is why we are incredibly disappointed that

CHIP

the scoring system is not inclusive of the needs of disaster recovery regions, even though that is the explicit purpose of this funding source.

The change to the maximum subsidy allowed on a project from 40% of Total Development Costs to using the Federal Housing Administration's maximum loan assistance is helpful and appreciated. The increased potential subsidy will improve the likelihood that CDBG-DR subsidized projects will score more competitively through the LIHTC program. However, there are simply not enough tax credits allocated to disaster-impacted regions (including the rural set-aside) to fund all of the CDBG-DR awarded projects. This is an issue we have been raising with both HCD and CTCAC.

We respectfully request that you allow local jurisdictions that had a 2017-2018 CDBG-DR allocation to manage their own multi-family programs. This recognition of our expertise and agency in our own disaster recoveries will positively support our work and allow us to fairly compete for the housing funding we need to restore our communities. We fear that state control of these disaster recovery programs will create delays, significantly minimize local input and authority, and further traumatize victims of disasters.

Please feel free to reach out with any questions or clarifications. 530-624-3492 or sosh@chiphousing.org

Kind Regards,

S O'Shaughnessy

Seana O'Shaughnessy
President/CEO

HCD Response:

Thank you for your public comment on the 2020 CDBG-DR Action Plan Amendment #2 and for meeting continuously with HCD since 2022 to discuss recovery strategies and challenges for 2020 wildfire recovery.

HCD shares CHIP's priorities around implementation of wildfire recovery programs and maintains that equity, engagement, efficiency, and continuous improvement are integral to HCD's approach program design and delivery.

Your comments about the RecoverCA program and method of delivery for 2020 CDBG DR MHP fall outside of the scope of this specific amendment for which the public comment period is intended. We appreciate the opportunity to remind our partners that the RecoverCA program continues its equity-focused outreach, case management, and value engineering efforts that have resulted in significant cost reductions and efficiencies without compromising the state's mitigation resiliency and Wildland–urban interface (WUI) code requirements.

As you know, this action plan amendment (second amendment to the 2020 Action Plan) implements the Homebuyer Assistance Program, identifies eligibility criteria for the Multifamily Housing Program (MHP), removes the mitigation funding component from new construction, and increases the maximum award for mitigation funding. It does not amend the RecoverCA program, nor the method of delivery of the 2020 CDBG DR MHP, which outlined 2020 CDBG-DR original action plan.

HCD also appreciates CHIP's consistent feedback to the 2020 DR MHP scoring criteria and is grateful to have had the opportunity to discuss on June 2nd, 2022, and in February of 2023.

HCD deeply values CHIP's continued partnership and encourage you to learn about the MULTIFAMILY SUPER NOFA 2023 (ca.gov) other HCD and state resources that may assist with the recovery efforts.

b. **Public Comment – Email letter received 5/17/23 from Bruce Yerman Director, Camp Fire Collaborative.**

Mona Akbar
Disaster Recovery and Response Unit
Dept. of Housing and Community Development
2020 West El Camino Avenue, Suite 200
Sacramento, CA 95833

RE: Public Comment from the County of Butte on Draft Mitigation Action Plan Amendment 2 (APA 2) of the 2020 CDBG-DR Action Plan

Dear Mona,

I appreciate the opportunity to comment on the 2020 CDBG-DR Action Plan Amendment 2. I would like to share insights from our experience with DR-4407 that apply to other recoveries, particularly DR-4558. As the Director of the Camp Fire Collaborative, the recognized Long-Term Recovery Group (LTGR), we have observed a disconnect between HCD's centralized administration and the implementation of the RecoverCA program. We strongly advocate for local jurisdictions to handle recovery funds as close to the point of implementation as possible.

HCD's mission is to "provide policies and programs to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians." We work with families in the recovery process and initially welcomed RecoverCA as an incredible opportunity. However, under HCD's centralized administration of CDBG-DR funds, with employees and contractors scattered across the country, the program has paradoxically hindered the rehousing of survivors.

We are engaged with HCD RecoverCA leadership and hold regular meetings with HCD Case Managers to improve communication and information flow for survivors. Regrettably, applicants are often uninformed, receive conflicting information, or experience a lack of follow-up, resulting in prolonged periods of uncertainty that extend into months. Some survivors have become frustrated and opted out before their cases are resolved. Several weeks ago, when RecoverCA reached out to us for assistance in expanding the program, we offered suggestions for connecting with survivors but received no response. The expectation was for us, at the local level, to locate interested individuals, while our challenge was to maintain engagement among those already enrolled.

The Camp Fire Collaborative has supported the rebuilding of homes and provided housing assistance for hundreds of families at a standard equal to HCD but at a lower cost. The effective utilization of funds in the Town of Paradise through the Cal Home Loan program far exceeds the number of homes rebuilt by HCD. I recently returned from the National Voluntary Agencies Active in Disasters (NVOAD) conference, where we learned of CDBG-DR programs effectively managed by local jurisdictions across the nation. I recommend that local jurisdictions in California also assume management of CDBG-DR funds and programs to meet the needs of survivors and the mission of HCD.

Sincerely,

Right-click or tap and hold here to

Bruce Yerman
Director, Camp Fire Collaborative

530-720-2304

byerman@campfire-collaborative.org

https://www.campfire-collaborative.org/ [campfire-collaborative.org]

HCD Response:

Thank you for your public comment on the 2020 CDBG DR Action Plan Amendment #2.

HCD shares the Camp Fire Collaborative's (CFC) concerns related to cascading disasters and appreciates your engagement monthly with HCD since April of 2023 to discuss recovery strategies and challenges for wildfire recovery. HCD has found its discussions with CFC around the RecoverCA program especially helpful and continues to align on prioritizing leveraging resources to assist our most vulnerable disaster survivors.

As you know, this action plan amendment implements the Homebuyer Assistance Program, identifies eligibility criteria for the Multifamily Housing Program (MHP), removes the mitigation funding component from new construction, and increases the maximum award for mitigation funding. It does not amend the RecoverCA program.

We appreciate the opportunity to remind our partners that the RecoverCA program continues its equity-focused outreach, case management, and value engineering efforts that have resulted in significant cost reductions and efficiencies without compromising the state's mitigation resiliency and Wildland–urban interface (WUI) code requirements as well as federal labor compliance laws.

Though the ReCoverCA program is outside of the scope of this action plan amendment (second amendment to the 2020 Action Plan) and while the ReCoverCA program has not launched to homeowners impacted by 2020 disasters yet, please note that HCD has required specific programmatic and customer service training for all ReCoverCA case managers as well as updated internal standard operating procedures, job aids, processing timelines, and applicant touchpoints to ensure ReCoverCA case managers provide accurate and timely information to all applicants.

HCD appreciates your partnership in the recovery process and looks forward to continued engagement and dialogue.

c. **Public Comment – Email letter received 5/17/23 from Butte County**

Butte County Administration

Andy Pickett
Chief Administrative Officer

25 County Center Drive, Suite 200
Oroville, California 95965

T: 530.552.3300
F: 530.538.7120

buttecounty.net/administration

May 26, 2023

Mona Akbar
Disaster Recovery and Response Unit
Dept. of Housing and Community Development
2020 West El Camino Avenue, Suite 200
Sacramento, CA 95833

RE: Public Comment from the County of Butte on the Draft Mitigation Action Plan Amendment 2 (APA 2) of the 2020 CDBG-DR Action Plan

Dear Ms. Akbar,

On October 29, 2021, the US Department of Housing and Urban Development (HUD) allocated $231,203,000 in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the State to support California's unmet recovery needs related to FEMA Major Disaster Declarations DR-4558 and DR-4569, including the North Complex Fire. On April 26, 2023, State Housing and Community Development (HCD) issued the DRAFT 2020 Action Plan Amendment 2 (APA 2), a substantial amendment which proposes changes to existing program design for Homebuyer Assistance Program (HBA) and the Disaster Recovery Multi Family Housing Program (DR-MHP). Butte County respectfully submits the following public comments for the APA 2 Public Comment Period.

In November of 2018, Butte County suffered the deadliest and most destructive wildfire in California's history. The Camp Fire resulted in the deaths of 85 civilians; the destruction of 14,500 structures, including 13,696 single-family homes and 276 multifamily structures; and damage to another 589 structures. In August of 2020, the North Complex Fire caused the deaths of 15 civilians and destroyed 2,445 additional structures.

In March of 2023, the Butte County Board of Supervisors approved the General Plan 2040 Update. This General Plan Update supports the County's efforts to rebuild and create a more resilient future following these catastrophic wildfires. The County used the Update as an opportunity to address issues related to climate adaptation and environmental justice, as well as other new State laws. The Housing Element includes a plan to address housing for residents of all income levels, including rebuilding fire-destroyed units. Specifically, Goal H-5 in the Housing Element states, "Facilitate rebuilding of communities impacted by wildfires." An appendix to the Housing Needs Assessment includes the Rebuild Sites in the Camp Fire and North Complex Fire – Impacted Communities.

The General Plan 2040 Update also includes adoption of the Upper Ridge Community Plan. The Upper Ridge Community Plan was prepared to reflect Magalia's shared vision of the community's future after the devastating effects of the Camp Fire. The Plan identifies specific goals, strategies, and recommendations that will shape multiple aspects of life in the Upper Ridge, such as future housing; healthy and resilient neighborhoods; protection and management of natural resources; community safety; and social and economic equity in the Upper Ridge plan area over the next twenty years.

Over the last several years, Butte County has undertaken extraordinary efforts to begin the recovery process from the Camp Fire and North Complex Fire including adoption of the General Plan 2040 Update and the Upper Ridge Community Plan to guide recovery, as well as building internal processes and systems to implement CDBG-DR funds as a result of the 2017 and 2018 fires. Through collaboration with HCD and the establishment of guiding policy documents approved by the Butte County Board of Supervisors, the County is a significant leader in locally guiding recovery from wildfire.

The 2020 Action Plan proposes a significant and irreversible turn away from the recovery process well underway in Butte County by removing the authority to operate Housing Programs from local jurisdictions. In the case of Butte County, HCD has specifically shifted the authority to operate CDBG-DR-MHP programs away from well established staffing and systems at the County to the State. This shift will necessitate an entirely new set of systems, policies, procedures, staffing, and monitoring to be built by and for the State in order to operationalize 2020 CDBG-DR-MHP. This pause in momentum, creating shifts on both sides of the equation – at the County and at the State – runs the risk of delaying a development pipeline already established by prior disasters. Butte County is concerned that any delays in programmatic outcomes for housing restoration result in prolonged trauma for communities suffering the effects of disaster and displacement.

Operationalizing authority at the State level also creates a divide between implementation of disaster recovery programs and local recovery plans. The involvement of Butte County in administering CDBG-DR-MHP aligns the outcomes with the priorities set through the adoption of recovery plans. The 2020 Action Plan states that it endeavors to align with local recovery plans but does not describe how. Essentially, administration of CDBG-DR-MHP at the State level creates a chasm between implementation and the needs of the recovering communities, ostensibly large enough for local priorities to get lost, overlooked, or redirected. Without a role for local jurisdictions defined, it is unclear how disaster recovery will be governed at the local level according to adopted policy documents.

Additionally, considering the needs of other recovering jurisdictions included in the Action Plan, centralizing authority at the State does not support parity amongst jurisdictions with differing capacities. A policy that prioritizes the needs of jurisdictions that do not have the experience and capacity over jurisdictions that do is inequitable and has the potential to skew outcomes in direct proportion to those differences. The equitable solution would be to allow local jurisdictions to determine for themselves if they have the capacity and experience to run CDBG-DR programs. If they do, like Butte County, they may wish to retain authority to operate these programs to ensure a seamless recovery process. If they do not, they may wish to turn these administrative responsibilities over to the State. In both cases, the local recovery process would be supported by the best agency to administer the programs.

In addition to creating a gap between the recovery process and local recovery planning, project scoring as outlined in the 2020 Action Plan aligns with HCD Housing Goals rather than local goals to restore housing lost to disaster. Ideally, a recovery project pipeline is suited to address the needs of the disaster impacted community, and can align to adopted local policies and plans for recovery. Comparing projects against an entirely separate set of goals creates yet more misalignment between the recovery process and the local recovery plan. Butte County requests project scoring align with local housing recovery goals to match the intent of the CDBG-DR funding.

At the 2020 CDBG-DR APA 2 English Public Comment Meeting, HCD indicated that consolidating operations for the CDBG-DR-MHP program was cost effective for the State in light of the allocation amount. HCD and Butte County have successfully implemented the CDBG-DR MHP program per the 2017 and 2018 Action Plan. All of the Butte County's DR-MHP allocation has been committed to HCD-approved multifamily projects. In fact, Butte County's 2018 DR-MHP program was oversubscribed by housing developer interest. Butte County has the experience and capacity to immediately and cost-effectively move forward a successful 2020 DR-MHP program, and HCD has a well-established structure in place to work with local jurisdictions. Replicating and improving upon this existing process minimizes costs associated with establishing new policies, procedures, and monitoring systems that may delay recovery. Previous program outcomes indicate collaboration is the most cost effective option.

These comments are consistent with concerns Butte County staff has presented to HCD throughout the development of the 2020 CDBG-DR Action Plan. If there are any questions, please contact Tracy Davis, Program Development Manager, Butte County Administration, tdavis@buttecounty.net, 530.552.3350.

Thank you for your consideration.

Sincerely,

Katie Simmons
Deputy Administrative Officer – Economic & Community Development

/ For Máximo A. Pickett
Chief Administrative Officer

HCD Response:

Thank you for your public comment for the 2020 CDBG-DR Action Plan Amendment #2. HCD deeply values its partnership and ability to engage regularly with Butte County and looks forward to working together to address recovery strategies and challenges around wildfire recovery in Butte County.

As you know, this action plan amendment (second amendment to the 2020 Action Plan) implements the Homebuyer Assistance Program, identifies eligibility criteria for the Multifamily Housing Program (MHP), removes the mitigation funding component from new construction, and increases the maximum award for mitigation funding. It does not amend the method of delivery of the 2020 CDBG DR MHP, which outlined in the [2020 CDBG-DR original action plan](#).

This amendment outlines the scoring and eligibility criteria for projects, removes the mitigation funding component from new construction, and increases the maximum award for mitigation funding. The amendment also requires that projects submit a letter of support from the local jurisdiction in which the project will be located, giving the local government ample opportunity to provide input and feedback above and beyond the normal planning entitlement approval process.

HCD looks forward to continued dialogue with Butte County on recovery efforts for 2017 and 2018 programs and appreciates twice per month as we have done since 2019.

We appreciate your partnership and encourage jurisdictions to learn about the MULTIFAMILY SUPER NOFA 2023 (ca.gov) other HCD and state resources that may assist with the recovery efforts.

Thank you.