

**NOTICE OF FUNDING AVAILABILITY
LOCAL HOUSING TRUST FUND PROGRAM
October 24, 2008**

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ATTACHMENT

ATTACHMENT 1: APPLICATION WORKSHOP REGISTRATION FORM

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

1800 Third Street, Suite 460
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 445-0110
FAX (916) 445-0117



**NOTICE OF FUNDING AVAILABILITY
Local Housing Trust Fund (Matching Grant) Program
(LHTFP)
October 24, 2008**

A. Introduction.

We are pleased to announce the availability of approximately \$33 million in funding for the Local Housing Trust Fund (Matching Grant) Program (LHTFP). The LHTFP was created by AB 2638 of 2006 (Laird) which established Section 50843.5 of the Health and Safety Code. Funds made available under this NOFA are from the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) Affordable Housing Innovation Fund (See Health and Safety Code Section 53545.9(c)). The program is administered by the Department of Housing and Community Development (hereinafter "HCD" or "Department") and will provide grant funds to eligible city, county, and nonprofit applicants for the purpose of supporting new and existing Local Housing Trust Funds dedicated to the creation or preservation of affordable housing.

- 1. This NOFA will be governed by regulations that are in the final stages of adoption by HCD and approval by the Office of Administrative Law (OAL). The proposed regulation text and associated rule-making documents are available on HCD's website at <http://www.hcd.ca.gov/fa/ahif/lhtf.html>. The proposed regulations are still subject to changes during the remaining portions of the rule-making process. However, HCD anticipates that the final adopted regulations will be substantially the same as the proposed version dated September 9, 2008 posted on the HCD's website ("Modifications to Text of Regulation"). Accordingly, applications should be completed pursuant to the requirements as stated in the proposed regulations text. Should there be any change to the regulations which would affect the application process, or alter information to be submitted by the applicant or reviewed by HCD, all interested parties will be notified of the changes immediately. Please note that the LHTFP contract requirements will be subject to the regulations in effect at the time the contracts are executed.**

The Local Housing Trust Fund Program makes one-time grants for the development of affordable multifamily rental and ownership housing and emergency shelters. It is intended to support local entities that have identified and committed sources of funds not traditionally utilized in the development and provision of affordable housing. The grants must be matched dollar-for-dollar by the applicant at the time of application. Applicants must have committed long term on-going revenues to continue the operation of the Local Housing Trust Fund for a minimum of five years.

Applications to HCD will be accepted for two categories of Local Housing Trust Funds:

1. **Existing Local Housing Trust Funds** - The Department will award approximately \$16,275,000 of matching grant funds. Applications for existing Local Housing Trust Funds are due in HCD's office by 5 P.M. on January 15, 2009.
2. **New Local Housing Trust Funds** - The Department will award approximately \$5,425,000 of matching grant funds under this NOFA. Beginning January 15, 2009, applications will be accepted on an over-the-counter basis for new Local Housing Trust Funds. Health and Safety Code Section 53545.9(c)(2) requires the Department to set aside funding for a period of thirty-six months from the date funds are first made available for new Local Housing Trust Funds that are in a county with a population of less than 425,000 person. To fulfill this requirement, the Department will issue two other NOFAs over the next two years for new local housing trust funds making available approximately \$5,425,000 in funds under each NOFA. New Local Housing Trust Funds that are in a county with a population of less than 425,000 persons will be given priority for receiving funding during each of the NOFA rounds

Please see the "Program Definitions" section for the distinctions between Existing and New Local Housing Trust Funds.

Applications *mailed via the U.S. Postal Service* must be mailed to:

Department of Housing & Community Development
Division of Financial Assistance
Attn: Ben Dudek
Local Housing Trust Fund Program
P.O. Box 952054
Sacramento, CA 94252-2054

Applications sent using private *carriers or delivered in person* must be received by the LHFTP no later than 5:00 P.M... on January 15, 2009, for existing Local Housing Trust Funds and on or after January 15, 2009, for new Local Housing

Trust Funds. If applications are personally delivered, the receptionist will date stamp the application and provide a receipt as proof of delivery. The delivery address is:

Department of Housing & Community Development
Division of Financial Assistance
Local Housing Trust Fund Program
1800 Third Street, Room 460
Sacramento, CA 95811

Awards are scheduled to be **announced** beginning in February 2009, for existing Local Housing Trust Fund applicants.

Over-the-counter awards for new Local Housing Trust Funds will be announced when applications have been received and have met program requirements.

B. Program Definitions.

The following definitions govern this NOFA:

“Local Housing Trust Fund” is a public or joint public and private fund which was established by legislation, ordinance, resolution (including nonprofit articles of incorporation) or a public-private partnership to receive specific revenue to address local housing needs. The key characteristic of a Local Housing Trust Fund is that it receives on-going revenues from dedicated sources of funding such as taxes, fees, loan repayments, and/or ongoing fundraising; these represent sources that are innovative in that they are non-traditional funding for housing.

“Existing Local Housing Trust Fund” is a Local Housing Trust Fund that was created, funded, and is operated by a city, a county, a city and a county, or 501(c)(3) nonprofit organization *prior to September 30, 2006*.

“New Local Housing Trust Fund” is a Local Housing Trust Fund that was created, funded, and is operated by a city, a county, a city and a county, or 501(c)(3) nonprofit organization *on or after September 30, 2006*.

“On-going Revenues” means a public source of revenue that is dedicated for an indefinite period (beyond annual appropriations); or other revenue that is either: (i) dedicated for a minimum five-year period and the source of that revenue has an income history which can reasonably support the level of proposed funding; or (ii) in the case of an existing local housing trust fund, the fund has at least a five-year income history from all nonpublic sources which could reasonably support the level of proposed funding.

“On Deposit” means cash or equivalent under the control of the applicant or Grantee at the time of application readily available for use by the Grantee as Matching Funds. Funds on deposit must be verifiable at the time of application to the satisfaction of the Department.

“Not otherwise restricted” means funds from governmental sources or private contributions that are not legally restricted by state or federal law for use in housing programs. “Not otherwise restricted” also includes those funds which have been traditionally restricted by federal, state or local practice for use in housing programs. The Home Investment Partnerships Program (HOME), the Community Development Block Grant Program (CDBG), and redevelopment agency tax increment funds set-aside pursuant to the requirements of Health and Safety Code section 33334.2 do not qualify as matching funds (Redevelopment agency tax-increment funds other than the funds required to be restricted for low- and moderate-income housing may be used as qualifying matching funds).

“Local Impact Fees” are impact fees, mitigation fees, or capital facility fees imposed on residential development by municipalities, county agencies, or other jurisdictions such as utility districts, school districts, water agencies and resource conservation districts. Local Impact Fees may include fees for residential or commercial development (in lieu of building affordable housing), parks and recreation, schools, traffic, street and signals, law enforcement facilities, fire facilities, library facilities, water facilities, waste water treatment, waste water collection, drainage facilities, community development, general facilities, public facilities, governmental, environmental, and facilities assessments.

C. Eligible Applicants.

The following entities shall be eligible to apply for Program funds:

1. A city, county, or city and county that has created, funded, and operated an Existing Local Housing Trust Fund, or that has created and funded a New Local Housing Trust Fund.
 - a. The trust fund shall have the following characteristics:
 - i. It shall utilize a public or joint public and private fund established by legislation, ordinance, resolution, or a public-private partnership to receive specific revenue to address local housing needs.
 - ii. It shall be funded from Ongoing Revenues from Dedicated Sources of funding such as taxes, fees, loan repayments, or private contributions.
 - b. The city, county, or city and county shall have, at the time of application an adopted housing element that the Department has determined, pursuant to Section 65585 of the Government Code, is in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.
 - c. A Local Housing Trust Fund that was created, funded, and operated by a combination of one or more cities or counties, shall in

its application, agree to utilize Program Funds only for Eligible Projects located in cities or counties that have, at the time of application, an adopted housing element meeting the requirements of subparagraph (b) above.

2. A charitable nonprofit organization described in Section 501(c) (3) of the Internal Revenue Code that has created, funded, and operated an Existing Local Housing Trust Fund, or has created and funded a New Local Housing Trust Fund.
 - a. The trust fund shall have the following characteristics:
 - i. It shall consist of a public or joint public and private fund established by legislation, ordinance, resolution, or a public-private partnership to receive specific revenue to address local housing needs.
 - ii. It shall be funded from Ongoing Revenues from Dedicated Sources of funding such as taxes, fees, loan repayments, or private contributions.
 - b. The charitable nonprofit organization shall, in its application, agree to utilize Program Funds only for Eligible Projects located in cities, counties, or a city and county that have, at the time of application, an adopted housing element that the Department has determined, pursuant to Section 65585 of the Government Code, to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

D. Grant Amount.

The LHFP will grant a total of \$32,550,000 to both existing and new Local Housing Trust Funds; \$16,275,000 is reserved for existing local funds and \$16,275,000 million is reserved for new local funds, which includes the set-aside for new Local Housing Trust Funds that are in a county with a population of less than 425,000 persons. Funds for the new Local Housing Trust Funds will be made available in three NOFAs, including this NOFA, over the next thirty-six months. The maximum amount for any applicant is \$2 million and the minimum amount is \$1 million.

The Department may make a partial award if less than \$2 million remains in the LHFP fund and there is an eligible and highly ranked applicant who will accept a smaller grant than was requested.

E. Eligible Use of Funds.

1. Funds shall be used by the Grantee to provide loans for payment of predevelopment expenses, acquisition, construction, or rehabilitation of Eligible Projects.
2. At least 30 percent of the total amount of the Program Funds and the Matching Funds shall be expended on Eligible Projects that are affordable to, and restricted for, Extremely Low Income households. No more than 20 percent of the total amount of the Program Funds and the Matching Funds shall be expended on Eligible Projects affordable to, and restricted for, Moderate Income Persons and Families. The remaining Program Funds and Matching Funds shall be used for Eligible Projects that are affordable to and restricted for, Lower Income Households.

All assisted rental units shall be restricted for not less than 55 years. For sale housing must have a recorded deed restriction that meets the resale restrictions set forth in Health and Safety Code Section 50843.5(d) (3).

F. Ineligible Use of Funds.

No Program Funds shall be used for the costs of administering the Local Housing Trust Fund.

G. Match Requirements.

1. For each Program grant applicants shall provide Matching Funds equal to or in excess of the amount of the Program grant.
2. Matching Funds shall be On Deposit at the time of application, and the source of the funds shall be identified.
3. Funds restricted for housing use by state or federal law (such as funds from the Home Program, the CBDG Program, or redevelopment agency low- and moderate-income housing fund set-aside ("LMIHF") funds) shall not be considered Matching Funds. However, redevelopment agency non-LMIHF funds may be considered Matching Funds.
4. A Local Housing Trust Fund that is exclusively funded by any combination of HOME, CDBG, and redevelopment agency LMIHF funds, or other state or federal funds restricted for housing use shall not be eligible to receive Program Funds.

H. Time Frames for Use of LHFP Funds.

1. Any Program Funds not encumbered by a Grantee by a loan commitment to the developer of an Eligible Project within 36 months of receipt shall promptly be returned to the Department.

2. Repayments of Program Funds received by a Grantee shall be retained by the Grantee in the Local Housing Trust Fund to be used for the purposes set forth in this subchapter.
3. If a Grantee ceases operations or Ongoing Revenues cease less than five years from the date of the Grantee's award of Program Funds, all unencumbered Program Funds shall promptly be returned to the Department, and all current and future loan repayments shall be remitted to the Department.

I. LHFTP Recipient Responsibilities.

1. Recipients are responsible for administering and implementing the programs as proposed in their application.
2. Recipients must continue the operation of their program for at least five years after the award date.
3. Recipients shall have held, or shall hold, a public hearing or hearings to discuss and describe the project or projects that will be financed with funds.
4. Recipients shall report annually to HCD on a form created by the Department.

J. Application Requirements.

Application for Program funds shall be made in a format provided by the Department. The Department shall request, as a minimum, the following information:

1. Applicant identification information including: name, address, telephone number, contact person and, for nonprofit corporations, corporate governing documents and financial information (e.g., articles of incorporation and by laws, certificate of good standing, confirmation of 501(c) (3) status, audited financial statements), identification of the administering entity, and list of legislative representatives for the area where the program or project will be undertaken.
2. Governing board resolution in a form acceptable to the Department authorizing the application.
3. Description of the Local Housing Trust Fund sufficient to ensure compliance with Health and Safety Code Section 50843.5 and this subchapter which at a minimum shall include:
 - a. Documentation of establishment.
 - b. Date of establishment.
 - c. Date first funding received.

- d. Ongoing Revenue sources (distinguishing residential and non-residential Local Impact Fees).
 - e. Documentation of Matching Funds on Deposit.
 - f. Documentation of sufficient Ongoing Revenues.
 - g. Documentation of the amount and source of Matching Funds and evidence that Matching Funds are derived from sources that are not restricted to housing uses.
4. Local Housing Trust Fund operating guidelines including:
- a. Types of projects in which the fund will invest.
 - b. Types of investments the fund will make (e.g., loans, grants).
 - c. The required terms and conditions of the investment, including types of security and regulatory agreements, and periods of affordability.
 - d. Any per unit or per project expenditure limitations.
 - e. The eligible household income limitations and/or income targeting goals.
 - f. The developer or owner eligibility requirements.
 - g. Underwriting requirements.
 - h. The borrower or project match or leverage requirements.
 - i. Geographic area to be served.
5. Amount of Program Funds applied for and the amount to be used for: First-time Homebuyer downpayment assistance; housing for persons or households of Extremely Low Income, Very Low Income; Lower Income Households and housing for Moderate Income Persons and Families.
6. Description of the management and staffing of the Local Housing Trust Fund.
7. If the applicant proposes to use Program Funds for rental housing projects, a copy of the document to be recorded restricting the affordability of Program-funded projects for at least 55 years.
8. If the applicant proposes to use Program Funds for Homeownership Projects, a copy of the document to be recorded that meets the requirements of subdivision (d)(3) of Health and Safety Code Section 50843.5 or a specific statement as to the other public funding source or law in conflict with this requirement.
9. Certifications and Acknowledgements:
- a. Certification that the information submitted in the application is true and correct to the best of the knowledge of the signer, after reasonably diligent investigation.
 - b. Certification of the applicant's intent to maintain the Local Housing Trust Fund in existence for at least five (5) years from the date of

application; and acknowledgement and agreement that if the Local Housing Trust Fund ceases to exist sooner, then the applicant agrees to repay any remaining uncommitted Program Funds and to remit to the Department all repayment of loans made with Program Funds until the full amount of the Program grant is repaid.

- c. Acknowledgement and agreement that any Program Funds that are not encumbered within 36 months of receipt shall be returned to the Department.
- d. For nonprofit applicants, an acknowledgement and agreement that Program Funds shall be used only for projects located in a city, county, or city and county that have, at the time of application, an adopted housing element that the Department has determined to be in substantial compliance with State housing element law.
- e. Certification that the applicant has held, or agrees to hold, at least one public hearing to discuss and describe the Eligible Project or Projects that will be financed with Program Funds.
- f. For nonprofit applicants, an agreement that the applicant will hold at least one public meeting as required by subdivision (g) of Health and Safety Code section 50843.5.

K. Application Review Process.

- 1. Only complete applications shall be considered for funding. In order to be considered "complete" an application must have substantially all of the information requested and provide adequate documentation and information for the Department to determine the Local Housing Trust Fund's eligibility for funding pursuant to Health and Safety Code Section 50843.5 and this subsection. The applicant shall bear the burden of demonstrating compliance with these requirements. If the application is incomplete or ineligible, it will not be considered for funding. The applicant of such an ineligible application will be given a written explanation of the deficiencies.
- 2. In the event that the amount of funding requested in complete applications exceeds the funds available, applications shall be evaluated and funded using criteria published in this NOFA, including, but not limited to the criteria listed in Paragraph L, "**Evaluation Criteria**", (below).
- 3. Staff recommends funding awards to the Director of the Department of Housing and Community Development, based on the information in the applications, and as evaluated by the Department. Applicants will be notified by mail of the Departments' funding decisions, and those decisions will be posted on the website at: www.hcd.ca.gov

4. Successful Applicants will be awarded funds through the contract ("Standard Agreement") process. That will specify among other things, the amount of funds granted, timelines for expenditure of funds, as well as the proposed use of funds.
5. If funded, reports will be required of the Recipient by the Department. Report dates and requirements will be identified in the LHFTP contract.

L. Evaluation Criteria.

The LHFTP applications will be rated and ranked based on the following criteria with preference being given to criteria 1 and 2:

1. The extent to which the applicant agrees to expend more than 65% of its Program funds for the purpose of providing downpayment assistance to first-time homebuyers.
2. The extent to which the applicant agrees to provide matching funds from sources other than local impact fees.
3. The extent to which the applicant agrees to expend more than 30% of the total amount of its Program Funds and matching funds to serve persons and families of extremely-low income.
4. The extent to which the applicant agrees to expend less than 20% of the total amount of its Program Funds and Matching Funds to serve persons and families with incomes exceeding 120% of the area median income.
5. The extent to which the applicant agrees to provide Matching Funds in excess of the amount of the Program Funds.

M. Protection of Program Funds.

1. In order to protect the Program Funds awarded to a Grantee, the Grantee shall provide the Program Funds in the form of a loan evidenced by a promissory note the repayment of which shall be secured by a deed of trust recorded against the title to the real property or a security interest in the manufactured home being assisted with Program Funds. The promissory note shall contain a special provision that repayment shall be made to the Department in the event that the Grantee is no longer in operation.
2. Where Program Funds are provided to a rental housing development, emergency shelter, safe haven or transitional housing:
 - a. The Grantee and the housing developer borrower shall enter into a development loan agreement setting forth the terms and conditions for closing and disbursing the Program Funds which shall include, but not be limited to, requirements for title insurance for the deed of

trust, and the borrower's responsibilities and obligations with respect to hazardous substance detection, disclosure, and remediation.

- b. The Grantee shall submit copies of all loan guidelines and underwriting standards and procedures for review by the Department.
 - c. The Department shall have the right to request copies of documentation of the activities of the Local Housing Trust Fund at any time prior to or after disbursement of Program Funds.
3. Where Program Funds are used for a Homeownership Project the Grantee shall record a deed restriction in compliance with Health and Safety Code section 50843.5(d)(3) unless such a deed restriction would conflict with the requirements of law or another public funding source.

N. Important Legal Matters.

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties.

O. Application Workshops

1. **To assist applicants in preparing their applications, the Department will conduct one application workshop in Sacramento on November 24, 2008. The Department may announce additional workshops at a later date. During the workshop, the Department will review the Local Housing Trust Fund Program requirements, the application process, and the application scoring requirements. There will also be time for answering individual applicant questions. If you are unable to attend the workshop and have questions about the application process, please contact the LHTF staff.**

| Date | Workshop Location | Time |
|-------------------|--|----------------------------|
| November 24, 2008 | Department of Housing & Community Development 1800 Third Street, Room 183 Sacramento | 9:30 a.m. to 12 p.m. |

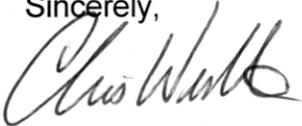
ADVANCE REGISTRATION FOR THE Workshops is REQUESTED. Please complete the attached registration form and return via email to pjones@hcd.ca.gov or fax to (916) 445-0117, attention Patti Jones, at least 48 hours before the workshop.

2. **The Department of Housing and Community Development also intends to provide online workshops, which will consist of the same information as the November 24 LHTF workshop to be held in Sacramento. There is a maximum of 23 online attendees for each online workshop. Advance registration is thus required. To hear the workshop presenters, attendees will be provided a phone number to call in. Attendees will also be able to see the presentation content by hyper linking to a website, which will be provided. The presentation will be live with the ability of the attendees to ask questions anytime during the presentation. In order to determine the number of online workshops that will be required for those that are unable to attend the Sacramento workshop, please provide the information on Attachment 1 and check the box next to Unable to attend the Sacramento workshop, but would be able to participate in an online workshop that is on the bottom of the Attachment.**

Do not hesitate to contact the Department if you should have any questions regarding the NOFA, the application, the application process, or necessary documents at any time during the application preparation period.

Questions should be directed to the LHTF program staff at (916) 445-0110. Thank you for your interest in the Local Housing Trust Fund Program.

Sincerely,



Chris Westlake
Deputy Director

Attachment 1

Local Housing Trust Program Workshop 2008 Registration Form

The Local Housing Trust Fund Program (LHTF) Workshop is designed to provide training on the LHTF Program, the application process, and technical assistance for applicants. **It is strongly recommended that you attend.** If you plan to attend, please complete and submit this single page (no cover sheet needed) to the MHP staff.

- Please RSVP at least 48 hours before the workshop date by filling out this document and submitting it to pjones@hcd.ca.gov or FAX (916) 445-0117.
- Refer registration questions and forms to HCD Staff at (916) 445-0110.

| | |
|-----------------------------|--|
| Name of Attendee(s): | |
| Organization's Name: | |
| Address: | |
| City, Zip Code: | |
| E-mail: | |
| Phone Number: | |
| Fax: | |

Workshop Location:

Department of Housing and Community Development
1800 Third Street, (Room 183)
Sacramento, CA 95811
November 24, 2008 (9:30 a.m. to 12 p.m.)

Unable to attend the Sacramento workshop, but would be able to participate in an online workshop.