

HOME INVESTMENT PARTNERSHIPS PROGRAM

**2011
Notice of Funding
Availability**

**Supplemental NOFA for
Rental New Construction
Projects**

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JANUARY 20, 2011

**NOTICE TO ALL POTENTIAL APPLICANTS
RE: NOTICE OF FUNDING AVAILABILITY**

**HOME INVESTMENT PARTNERSHIPS PROGRAM – \$35 MILLION
SUPPLEMENTAL NOFA FOR RENTAL NEW CONSTRUCTION PROJECTS**

The Department of Housing and Community Development (Department) is pleased to announce a Notice of Funding Availability (NOFA) for the HOME Investment Partnerships Program (HOME). This NOFA is a supplemental NOFA for rental new construction projects that meet all of the requirements set forth under this NOFA. A minimum of \$35 million is available for this NOFA. The sources of funds for this NOFA are disencumbered funds from previous contracts.

The application deadline is February 3, 2011. The application materials for this supplemental NOFA will be available on January 21, 2011 from the state HOME website at www.hcd.ca.gov/fa/home. Please review these documents carefully before submitting an application.

If you have any questions, please contact HOME Program staff at (916) 322-0356.

Sincerely,

Chris Westlake
Deputy Director

**NOTICE OF FUNDING AVAILABILITY (NOFA)
HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM
JANUARY 20, 2011**

Anticipated Funding Level: A minimum of \$35 million

I. OVERVIEW

- A. This Notice of Funding Availability (NOFA) for the HOME Investment Partnerships Program (HOME) makes a minimum of \$35 million available for rental new construction projects meeting the requirements under this NOFA. The sources of funds for this NOFA are disencumbered funds from previous contracts.

The application deadline is February 3, 2011. The application materials for all activities will be available on January 21, 2011 from the state HOME website at www.hcd.ca.gov/fa/home. Please review these documents carefully before submitting an application.

HOME funds are made available pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, and are available to eligible local governments (State Recipients) and nonprofit organizations certified with the Department as Community Housing Development Organizations (CHDOs).

All applicants under this NOFA are responsible for administering and completing the HOME activity, including ensuring compliance with federal overlay and administrative requirements. This responsibility includes: implementing the project activity as approved by the Department, compliance with reporting requirements, managing fund disbursement and accounting, preparing work specifications, loan processing, conducting inspections, and ensuring that all HOME requirements are met for the entire affordability period.

Funding will be allocated for rental new construction projects meeting the requirements set forth in this NOFA.

B. Eligible Activities

Rental new construction projects meeting the requirements set forth in Section V. of this NOFA.

C. Allocation of Funds

See Section XVI of the NOFA.

D. Funding Announcements and Standard Agreements

The Department intends to send supplemental conditional reservation ("award") letters to successful applicants by March 3, 2011. The

supplemental funding will be made available to State Recipients and CHDOs that have demonstrated compliance with the requirements, if any, in the conditional reservation letter, in the form of an amendment to the existing Standard Agreement.

- A fully executed Governing Board Resolution meeting the Department's requirements which authorizes an application for HOME Supplemental funds must be received by the Department prior to issuance of an award letter.
NOTE: The authorizing resolution must be submitted no later than February 24, 2011 in order to receive your HOME conditional reservation letter by the March CTCAC or CDLAC application deadline.
- If a project is successful in receiving a CTAC or CDLAC award as a result of receiving HOME Supplemental funding, updated project feasibility information, including but not limited to, project financials, current site control documentation, and any necessary updated market study or environmental information, will be requested within 45 days of the date of the project's TCAC or CDLAC reservation letter.

II. REGULATORY AUTHORITY

- A. HOME regulations and NOFA suspension/amendment: All applications under this NOFA are governed by the state HOME regulations and the federal Final HOME Rule dated September 16, 1996, as amended. If the federal or state statutes or regulations governing the program or its funding are modified by Congress, the Department of Housing and Urban Development (HUD), the State Legislature, or the Department prior to completion of work under the local HOME Program, the changes may become effective immediately and apply to the activities funded under this NOFA. The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify interested parties.
- B. This NOFA does not include the text of all applicable regulations that may be important to particular projects. For proper completion of the application, the Department **strongly** encourages potential applicants to consult the state and federal HOME Program regulations, and other federal cross-cutting regulations (referred to in Subpart H of the federal HOME regulations). Rental project applicants should also consult the state Uniform Multifamily Regulations (UMRs).

Several of the terms used in the HOME Program have specific meanings defined by federal and/or state HOME regulations. When reviewing this NOFA and the application forms, carefully review the regulations for definitions and terms. State HOME definitions are found in Section 8201 & 8217 of the state HOME regulations.

If the application is prepared without reading the NOFA, the application, the HOME regulations, and the UMRs, it is likely that the application will be deficient, which could result in loss of points or disqualification.

For your convenience, hyperlinks to the HOME regulations and UMRs are provided below.

State HOME regulations (Revised in 2009)
http://www.hcd.ca.gov/fa/home/State_HOME_Regs.pdf.

Uniform Multifamily Regulations - <http://www.hcd.ca.gov/fa/MultifamilyRegs-Adptd092903.pdf>

Federal HOME regulations -
<http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/finalrule.pdf>

HOME staff is available to discuss HOME Program requirements and to provide individual technical assistance to applicants in preparing an application.

III. **APPLICATION PROCEDURES, FINAL FILING DEADLINE, AND AWARD ANNOUNCEMENTS**

- A. **One original application and one complete copy** must be **received** by the Department **no later than 5:00 p.m.** on **February 3, 2011**.

In addition, applicants must submit one copy of each of their completed Project Report forms on a PC-compatible Compact Disc (CD). Please keep the electronic worksheets unprotected, and separate all application attachments and major sections of the application binder with tabbed dividers.

Applicants are strongly advised to ensure that their application is in final form before it is submitted to the Department.

Applications mailed via the U.S. Postal Service must be received by the HOME Program no later than 5:00 p.m. on February 3, 2011 and must be addressed to:

Department of Housing & Community Development
Division of Financial Assistance, HOME Program
P.O. Box 952054, Suite 390-3
Sacramento, CA 94252-2054

Applications sent using private carriers or delivered in person must be received by the HOME Program no later than 5:00 p.m. on February 3, 2011. 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
HOME Program
1800 Third Street, Room 390
Sacramento, CA 95811

Applications that do not meet the filing deadline requirements will be denied funding. Applications must be on the forms provided by the Department and these forms cannot be altered or modified by the applicant.

B. CHDO Certification

Existing CHDOs eligible to apply under this NOFA must have a State HOME CHDO certification that is valid through March 3, 2011. Contact Laura Bateman at (916) 322-7566 if you are planning to apply under this NOFA and your current CHDO certification will expire on or before March 3, 2011.

C. Application form:

It is the applicant's responsibility to ensure that its application is clear, complete, and accurate in all respects, and that it is received by the Department on or before the final filing deadline. After the application deadline, HOME staff may contact applicants to ask where in the application specific information is located. In addition, the Department may, in its sole discretion, request an applicant to supply clarifying information which may be used by the Department to make a determination of whether the project is financially feasible pursuant to Section 8212 (a) (6) (A.)

Pursuant to this NOFA, an application submitted in final form means submittal of an updated Department Loan and Grant Committee Project Report and a completed HOME Supplemental NOFA Application form, with all required attachments. The original funded HOME Application for this project is also incorporated by reference.

NOTE: Applicants must notify the Department of any project changes that occur after the HOME application has been submitted. Failure to notify the Department of any project changes may be considered a "material misrepresentation of fact" resulting in negative performance points on future HOME applications pursuant to 8212 (d) (1) (A) (ii).

IV. ELIGIBLE APPLICANTS

A. Applications will be accepted only from State HOME-eligible cities, counties and CHDOs proposing eligible activities as set forth under this NOFA.

B. **NOTE:** Pursuant to State HOME Regulation Section 8217 (c), the Department will waive the holdout penalty for any '07 or '08 eligible HOME project under this NOFA so that projects that have missed three performance deadlines may still apply. This decision was made because the collapse of

the equity market during this time and the effects which this had on the availability of tax credits and bond investors could not have been reasonably foreseen, and was therefore, beyond the control of the project development team.

Note also: 2009 funded projects (numbered '10-HOME) will not have missed their third performance deadline by February 3 so are not yet subject to a holdout penalty.

V. ELIGIBLE ACTIVITIES

- Rental new construction projects with a current State HOME contract numbered 07, 08, or '10 (.e.g. 10-HOME-xxxx) that have applied for 9% tax credits but have been unable to secure an award from the California Tax Credit Allocation Committee (CTCAC) and additional HOME funds are needed to make the project more competitive;
- Rental new construction projects with a current State HOME contract numbered 07, 08, or '10 that need additional HOME funds in order to convert their proposed 9% tax credit project to a 4% tax credit project.

NOTE:

- '07, '08, or '10 HOME projects which were planning to apply for 9% projects but did not apply, can only apply for supplemental funding to restructure their projects as a 4% project.
- All successful recipients of funding pursuant to this NOFA for 4% tax credit projects must apply for bonds/tax credits in the March CDLAC funding opportunity.
- All successful recipients of funding pursuant to this NOFA for 9% tax credit projects must apply for the first CTCAC funding opportunity in 2011, and if not successful in receiving an allocation, apply again in the second CTCAC funding opportunity in 2011, or restructure as a 4% project with no further HOME augmentation.
- All successful recipients of funding pursuant to this NOFA must meet the deadlines required by CDLAC/CTCAC.
- If a project is unsuccessful in the first round of the 2011 9% competition with HOME Supplemental funds, it may chose to restructure as a 4% project, but with no additional HOME augmentation. There is no option to restructure if the application is unsuccessful in the second 9% round.

VI. TIMEFRAMES FOR THE USE OF HOME FUNDS

Pursuant to State HOME Regulation 8217 (b) (1) (D) and State HOME Regulation 8218 (a), the Department reserves the right to terminate the Standard Agreements of all projects which are not likely to meet their HOME 36-month completion deadline (which occurs 36 months after issuance of the award letter).

The Department will not automatically disencumber any HOME rental project contracts funded pursuant to the 2007, 2008, or 2009 NOFAs. Instead, each HOME contractor which does not receive supplemental HOME funds (whether they applied for supplemental HOME funds or not) will be evaluated to determine if it is possible to meet their 40-month expenditure deadline. If, after consulting with the Applicant and the Developer, the Department determines that it is not possible to meet this deadline, the contract may be disencumbered. Note that '07 and '08 projects that receive HOME Supplemental funding will have their HOME Standard Agreement completion and expenditure deadlines extended to match those of projects awarded pursuant to the 2009 HOME NOFA.

With sufficient funding from other sources, there is theoretically still enough time for 09 HOME projects, to complete their projects by their construction completion deadline of January 2013. However, this would require a persuasive explanation, in the absence of supplemental HOME funds, that the project could win the CTAC tiebreaker for 9% credits, could restructure to be feasible as a 4% project, or could receive another source of funds sufficient to replace tax credit equity. If, after consulting with the applicant and the developer, the Department determines that it is not possible to meet this deadline, the contract may be disencumbered.

Similarly, a project which receives supplemental funding pursuant to this NOFA, that is unable to receive tax credits in 2011, will be evaluated to determine if it is somehow possible to meet the January 2013 completion deadline. If the Department determines that it is not possible to meet this deadline, all HOME funds originally awarded and awarded pursuant to this NOFA, will be disencumbered.

Therefore, all eligible applicants are highly encouraged to apply for funds under this NOFA; there is no negative consequence to applying versus not applying.

The Department reserves the right to use any funding available from a disencumbrance to fund applications pursuant to this NOFA that could not be funded, in the same order prescribed in this NOFA, or to roll these funds into the next year's general HOME NOFA.

VII. INELIGIBLE USES OF FUNDS - HOME funds provided under this NOFA cannot be used for any of the following:

- To replace funding already committed to the rental new construction project;

- To replace funding, other than tax credit equity, lost from another funding source. If a funding source previously identified is no longer available, the HOME Supplemental application must identify a feasible alternative;
- To pay for increased development costs, other than those caused by a project now needing to pay federal prevailing wages;
- Administration, CHDO Operations, and Activity Delivery funds;
- To assist HOME projects whose construction loans have already closed;
- As a general rule, with the exception of National Environmental Policy Act (NEPA) environmental review expenses, HOME funds cannot be used for expenses incurred prior to the execution of the original state Standard Agreement. However, on a case-by-case basis, HOME Management may permit reimbursement for other expenses incurred after the date of the original award letter and prior to the effective date of the original Standard Agreement;
- Pursuant to HOME federal Regulation 92.206 (a) (4), for rental projects, costs associated with the construction or rehabilitation of laundry facilities and other community facilities which are located in separate buildings containing no residential units are ineligible HOME costs, and cannot be paid for with HOME funds.

Note also, in order for space within residential buildings, such as laundry facilities or a community room, to be paid for with HOME funds that space has to be for the exclusive use of project residents and their guests. It cannot be space available for use by the general public.

- All other uses of funds not part of an eligible activity under Section V. above.
- For further ineligible uses of HOME Funds, refer to 24 C.F.R. 92.214 of the federal regulations.

If an application is submitted proposing an ineligible use, only that portion of the application proposing eligible uses, if any, will be eligible for funds.

VIII. MINIMUM AND MAXIMUM AMOUNTS OF HOME FUNDS PER PROJECT

The minimum amount of HOME funds that must be invested in a rental project is \$1,000 times the number of HOME-assisted units in the project (# of units x \$1,000 = minimum amount of HOME funds).

The maximum amount of HOME funds invested in a project shall not exceed the following:

(1) the current per-unit dollar limits (221(d) (3) limits) established by HUD under 24 C.F.R. 92.250;

(2) pursuant to 92.205(d), the proportion of HOME-assisted units compared to all units in the project, and the square footage of HOME units compared to all other units in the project; and

(3) the total amount of eligible costs necessary, (when combined with other financing and assistance), to accomplish the following:

- A. Enable the project as proposed to be developed and to operate in compliance with all HOME requirements, including the subsidy-layering requirement at 92.250. See HUD [CPD Notice 98-1](#) for more information.
- B. For rental activities of five or more units, achieve a debt-service coverage ratio in accordance with UMR Section 8310, and adequate cash flow to ensure long-term financial feasibility.

The total amount of HOME Funds, including Activity Delivery Costs, per project cannot exceed the amount listed in the HUD 221(d)(3) subsidy limits and a subsidy layering review specified in 24 C.F.R. 92.250 of the federal regulations. See <http://www.hcd.ca.gov/fa/home/homelimits.html> for the current 221(d) (3) limits.

- C. If the total number of units in the project will change, the percentage of units at each AMI level may not change from that previously approved in the original project report. For example, if the project was approved with 1/3 of the units at 45% AMI, 1/3 at 50% AMI, and 1/3 at 60% AMI, these proportions will be required to remain the same.
- D. Operating expenses may not increase significantly from that approved in the original project report except insofar as the number of units is reduced, thus potentially triggering a higher operating expense per unit.

IX. MAXIMUM APPLICATION AMOUNT/COMBINATIONS OF ACTIVITIES

Applicants may submit an application for as many projects that qualify as eligible under this NOFA. Separate application forms must be submitted for each project.

Maximum HOME Loan Amounts Per Project

These amounts include the amounts already encumbered in your HOME Standard Agreement, including the administration and activity delivery/CHDO Operations amounts already awarded. The amounts below are not in addition to the funds you have already received.

4% tax credit projects – the lower of \$5.1 million dollars or the minimum amount necessary for project feasibility

9% tax credit projects

- State Recipients- \$3.1 million
- CHDOs - \$4.5 million
- All projects will be subject to the underwriting limitations set forth under Section VIII above, and the threshold financial feasibility criteria set forth in Section XVI.
- The maximum amounts indicated include the amounts under your current HOME Standard Agreement. For example, if your current HOME 9% tax credit award is for \$2.1 million, including \$100,000 for administration and activity delivery/CHDO Operations, and you are proposing to convert this project to 4% tax credits, your maximum HOME award will be \$5.1 million, meaning that if you are awarded HOME Supplemental funds, we will encumber up to an additional \$3 million under your current Standard Agreement
- The differential in the 9% maximum amount between State Recipients and CHDOs is because federal requirements at 24 C.F. R. 92.500 (d) regarding expenditure and reversion of CHDO funds are stricter than for State Recipients, and the Department risks not being able to meet these requirements unless it can encumber additional funds for CHDOs.

X. ADMINISTRATIVE AND CHDO OPERATIONS FUNDS

No funds for administration and CHDO Operations are available under this NOFA.

XI. ACTIVITY DELIVERY FUNDS

No funds for activity delivery are available under this NOFA.

XII. ARTICLE XXXIV

Article XXIV compliance is a requirement for receipt of State HOME funds. The Department has previously evaluated Article XXXIV compliance for projects eligible under this NOFA and will rely on this letter as continued evidence of Article XXXIV compliance except as noted below.

Projects for whom the sole basis of Article XXXIV compliance as proposed in their original HOME application is that the project's public lenders in the aggregate will restrict not more than 49 percent of the units to low-income households, (i.e. the " 49% test") must submit new Article XXIV letters with their HOME Supplemental application.

Note: these projects (typically from CHDO applicants, as well as State recipient applicants proposing use of Multifamily Housing Program [MHP] funds), risk not being able to comply with Article XXXIV if the aggregate number of units restricted by public lenders is increased above 49% of the total project units.

Hence, if you need to increase the number of HOME-restricted units above 49% as a result of increased HOME funding, the project may not be able to comply with Article XXXIV. Contact your attorney for guidance.

Further information regarding Article XXXIV is below.

Article XXXIV of the California Constitution requires public entities to obtain voter approval before they “develop, construct or acquire a low-rent housing project.” However, there are some exemptions to Article XXXIV. Health and Safety Code Section 37001 lists a number of project types that are not considered “low rent housing projects.” The most typical exemption is subdivision (a)(1), which exempts projects that receive no property tax exemption, other than the welfare exemption, and in which no more than 49 percent of the units will be occupied by persons of low income.

Applicants must submit a legal opinion letter that analyzes the project’s compliance with or exemption from Article XXXIV. The Article XXXIV opinion letter must demonstrate that the applicant has considered both the legal requirements of Article XXXIV and the relevant facts of the project (e.g., the public body lenders, the number of low income restricted units, and the general content of any regulatory restrictions). Any conclusion that a project is exempt from Article XXXIV must be supported by specific facts and a specific legal theory for exemption that itself is supported by the Constitution, statute, and/or case law.

If a project is subject to Article XXXIV, the letter must demonstrate that there is Article XXXIV authority for the project. This may be done by providing information from an appropriate local government official either that a referendum for the specific project has been passed by the voters, or that a blanket referendum has been passed and the locality has allocated sufficient Article XXXIV authority to the project. Applicants asserting that their proposed project complies with Article XXXIV because of the passage of a voter-approved referendum must provide a copy of the referendum and a certified vote tally along with their Article XXXIV letter. In this instance, the Article XXXIV letter must also provide information from the appropriate local government official regarding how many low-rent units are authorized under the referendum, and how many have been developed, constructed, or acquired to-date pursuant to that referendum so that the Department can determine if sufficient Article XXXIV authority exists for the proposed units.

For State Recipients, the Article XXXIV legal opinion letter must be from your local counsel. However, Since the Department is not the lender for State Recipient projects, the Department will generally defer to the local counsel’s Article XXXIV determination, if the project does not also propose use of MHP funds, as long as the Article XXXIV letter is a well-reasoned, thorough legal analysis of the facts and the law.

For CHDOs, the Article XXXIV legal opinion letter must be from the local government counsel where your project is located or from your own attorney, and must state the reasons why your project is exempt from or complies with Article

XXXIV. Since the Department is the lender in CHDO projects, the Department must agree with the legal opinions and conclusions in these letters in order for them to be acceptable.

Because of the detailed nature of the Department's regulatory agreements for HOME and MHP, it is the Department's opinion that all projects assisted by these programs are "developed" by the Department within the meaning of Article XXXIV.

For more information regarding Article XXXIV see NOFA Appendix B.

XIII. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

All federal "overlay" requirements applicable to your original HOME award apply to the HOME Supplemental funding. Applicants for HOME Supplemental funding will be required to discuss all changes to the project that could affect the implementation of any federal overlay requirement, including but not limited to, the National Environmental Policy Act (NEPA), federal and state prevailing wage, relocation, and Section 504 and the Americans with Disabilities Act.

NOTE:

(1) If you are increasing the number of HOME units to 12 or more as a result of receiving additional HOME funds, federal prevailing wages must now be paid on the entire project.

(2) For projects that have not already received their "Authority to Use Grant Funds" (AUGF), new notice and publication under NEPA may be required due to project changes necessitated by the receipt of HOME Supplemental funds.

XIV. STATE RECIPIENT RENTAL PROJECT SET-UP AND LOAN DOCUMENT REQUIREMENTS

Pursuant to federal and state requirements, State Recipients may not close their construction loan, even if required to meet CTCAC or CDLAC deadlines, without at least completing a limited project set-up process with the Department. Please plan to submit the set-up package at least 60 days, but preferably 90 days, prior to the desired closing deadline to allow enough time for this process.

State Recipients, using funds made available from this NOFA or from Program Income, will be the lender for rental projects, and therefore, as such, must adequately secure the repayment of HOME funds and compliance with HOME affordability requirements through the use of a promissory note secured by a deed of trust and a regulatory agreement. The deed of trust and the regulatory agreement must be recorded on the project property. If security for repayment of HOME funds is a leasehold, the owner of the fee either must permit recordation of the HOME deed of trust and regulatory agreement on the fee, or the fee owner must enter into a lease rider providing appropriate lender protections to the State Recipient. The lease must also comply with the requirements of UMR section

8316. In addition, if HOME funds will be used for construction, the State Recipient and borrower should execute a development agreement clearly setting forth the terms and conditions of disbursement of HOME funds. The State Recipient is responsible to ensure continued compliance with all HOME requirements, and if the project should ever fail, is responsible to repay the Department all HOME funds.

XV. STATE RECIPIENT OMB A-133 AUDIT DOCUMENTATION

Local governments that expend in excess of \$500,000 in federal funds during the fiscal year are required to submit an OMB A-133 Single Audit Report package to the Federal Clearinghouse and to the California State Controller's Office. The 2008-09 audit package was due by March 31, 2010.

The Department will make its determination on the status of A-133 Audit compliance as of February 3, 2011 by consultation with the California State Controller's Office (SCO) and, if necessary, individual State Recipients. Jurisdictions that are exempt from filing an A-133 Audit may also submit with their HOME application a copy of the letter written to SCO notifying them that the jurisdiction is exempt. See http://sco.ca.gov/aud_exempt_entities.html for more information on the required content of this letter.

You may check your jurisdiction's OMB A-133 compliance status at: http://sco.ca.gov/aud_single_audits.html. Questions regarding whether a jurisdiction is in compliance with the submittal requirements of OMB A-133 can be directed to Ferol Kimble, State Recipient Projects Manager, for project applications, at fkimble@hcd.ca.gov. The Department will only answer the question of whether you are in compliance according to SCO's A-133 Status Report. Technical questions related to why you are deemed not in compliance must be directed to SCO.

XVI. APPLICATION EVALUATION

A. Application Rating and Ranking

HOME funds will be divided into two separate allocations, one for projects proposing use of 4% tax credits under this NOFA, and one for projects proposing use of 9% tax credits under this NOFA. The amount available to each allocation will be based on the actual application demand expressed as a dollar amount requested in response to this NOFA, rounded to the nearest million dollars.

For example, if a total of \$40 million is requested pursuant to this NOFA, with \$30 million requested for projects proposing use of 4% tax credits, and \$10 million requested for projects proposing use of 9% tax credits, the relative demand for 4% projects is the ratio of 30/40, or 75%. The allocation for projects proposing use of 4% tax credits would therefore be 75% times the total amount available (assuming the minimum amount of \$35 million); thus 75% multiplied times \$35 million equals \$26.25 million. This would be rounded to the nearest million, i.e. \$26 million, for projects proposing use of

4% tax credits. The balance (i.e. \$35 million less \$26 million, or \$9 million) would be available for projects proposing use of 9% tax credits.

All applications must meet the minimum requirements pursuant to Section B. below. To meet the federal 15% CHDO set-aside, CHDO applications meeting the requirements in Section B will be funded first based on their original HOME application score for the project as funded, with the substitution discussed below for 9% project State Objective points. The highest scoring CHDO application(s) will be funded first as necessary to meet the 15% CHDO reservation requirement.

All remaining applications that pass threshold will be funded in descending order, within their allocation, according to their original HOME application score for the project as funded, with the substitution discussed below for the State Objective points. Among these applications, projects from each eligible year (i.e. '07, '08, and '10) will be funded according to their original funding rank in that year. The Department will rotate equally among each NOFA year until all of the available funds under this NOFA have been allocated. That is, the highest ranked applicant from each year's competition will be funded first, then the second highest ranked applicant from each year's competition, etc.

If there is insufficient funding to fund all of the equally ranked applicants, then priority will be given to the project located in the jurisdiction with the highest poverty level as reflected in the U.S. Census. Pursuant to HOME Regulation 8212.1 (e), If necessary to meet the 50% rural set-aside, a rural application will be funded before a non-rural application.

Final funding decisions will be made by the Division of Financial Assistance Deputy Director. The decision of the Deputy Director is final.

If there is insufficient funding to make the full award for a 4% tax credit project, the Department may make the full award for a 9% tax credit project notwithstanding the funding limits established for the 4% and 9% allocations.

B. Minimum Requirements:

1. The application was received by the deadline specified in this NOFA;
2. The applicant is eligible pursuant to Sections 8204, and 8204.1(c);
3. The applicant proposes at least one eligible activity pursuant to the NOFA;
4. The application is complete;
5. The application form provided by the Department and has not been altered or modified except to accommodate computer software;
6. The total amount of funds requested does not exceed the limits identified in the NOFA;

7. The amounts requested from HOME do not replace other non tax-credit funds previously identified for the project;
8. The project is financially feasible pursuant to the requirements of Section VIII of this NOFA. In addition, in order to be considered to be financially feasible, 9% tax credit projects must:
 - (a) be projected to have a have a high enough overall score in the March 2011 9% competition to qualify for consideration under the tiebreakers; and;
 - (b) must have a projected CTAC tiebreaker score at least 10% above the lowest winning tiebreaker score in the second round of the 2010 9% tax credit competition for the set-aside or region in which the proposed project will be applying in 2011; for this purpose only, the tiebreaker score must be calculated using the TCAC regulations in effect in 2010, not the new regulations which became effective on January 13, 2011;
9. The project either complies with or is exempt from Article XXXIV of the California Constitution pursuant to 8212(a) (7). See Section XII of the NOFA for more information on Article XXXIV; and
10. The applicant has no unresolved audit findings pursuant to Section 8204(a) (1) (D) (ii) and (2) (C) (i);
11. The applicant and any member of its program or project team is not on the list of debarred Contractors pursuant to Sections 8204 (a) (1) (D) (iii) and (2) (C) (ii);
12. The applicant has provided documentation satisfactory to the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Act pursuant to Sections 8204(a)(1)(D)(iv) and (2)(C)(iii). See Section XV. of the NOFA for more information;
13. Applicant has demonstrated that it has made significant changes to the project, compared to the project as approved by the HCD Local Assistance Loan and Grant Committee, to increase the competitiveness for 9% tax credits or to assist in the feasibility of converting to a 4% project

For 4% tax credit projects, notwithstanding the application of federal prevailing wages, a reduction in development costs and/or an increase in non-HOME, non-equity committed financing equivalent to 10% of Total Development Costs will be considered significant.

For 9% tax credit projects, meeting the tiebreaker requirements set forth in Item 8 above will be considered significant.

Application Rating Factors

The Department will rely on the application rating performed when the project was awarded HOME funds, and rank applications according to the process described in Section A above, except as noted below for 9% tax credit projects.

State Objective Bonus Points:

9% tax credit projects: In calculating the total application rating points under this NOFA, the original State Objectives score will be replaced with the following:

Up to 150 points will be awarded based on the number calculated by dividing the project's projected 2011 CTCAC 9% tie breaker score by the actual 2010 tiebreaker score for the lowest winning project in the set-aside or region in which the proposed project will apply in 2011. This fraction will be compared to all other applications submitted pursuant to this NOFA for 9% projects.

For example, let's say your HOME application originally received a score of 1,300 points including 100 points for State Objectives. HOME would first deduct the 100 State Objective points (1300 less 100 – 1200 points). Then, each application would be scored for the 150 point State Objective score for CTCAC tiebreaker as follows. Let's say the lowest winning project in the rural set-aside in the most recent CTCAC funding round had a CTAC tiebreaker score of 70. Your self-scored 2011 CTCAC tiebreaker score in this supplemental HOME application is 90, but another applicant for HOME supplement funds also proposing a project in the same rural set-aside had a CTAC tiebreaker score of 140. Your score of 90 is 1.29 times the 70 tiebreaker score from the most recent round. The other applicant's score of 140 is 2 times better, and in this example, let's say they had the highest CTCAC tiebreaker score in the rural set-aside of 9% projects submitted pursuant to the HOME Supplemental NOFA. Thus the other applicant would get the maximum State Objective score of 150 points, and your application would get a proportional score: $1.29/2 \times 150 \text{ points} = 97 \text{ points}$. Your original score of 1,200 not including State Objectives would be added to the CTCAC tiebreaker State Objective score of 65, for a total score of 1,297.

Note: while the actual 2011 tie-breaker scores may be lower than the numbers in the example above due to TCAC's recent regulation change, the mathematical calculation described above will establish a set of numbers among applicants relative to one another, so that scores can be assigned.