Notice of Funding Availability (NOFA)

MULTIFAMILY HOUSING PROGRAM (MHP)
SUPPORTIVE HOUSING COMPONENT

November 22, 2010

State of California
Department of Housing and
Community Development

NOTICE OF FUNDING AVAILABILITY (NOFA)
MULTIFAMILY HOUSING PROGRAM
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Attachment 1: Application Workshop Registration Form

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
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MULTIFAMILY HOUSING PROGRAM
SUPPORTIVE HOUSING COMPONENT

November 22, 2010

Supportive Housing Funding: $80 million

A. Introduction

The California Department of Housing and Community Development (hereinafter "HCD" or "Department") is announcing the availability of approximately $80 million in funding for the development of rental housing containing permanent Supportive Housing units under the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). Applications under this NOFA will be accepted beginning February 15, 2011 on an "over-the-counter" basis.

Information on this funding opportunity is available on the Department's website at: *http://www.hcd.ca.gov/fa/mhp*.

B. Application Packaging, Submittal and Process

Applications must be submitted on forms provided or approved by the Department. Application forms must not be modified. A complete original application, plus one copy, must be received by the Department. The Application form will be available on the Department's website on or about November 22, 2010. Applications will be accepted from 8 a.m. on February 15, 2011 until 5 p.m. on December 31, 2011 or until such time before December 31, 2011 that the Department has received what it determines to be a sufficient number of applications to reasonably use all currently available funds.

The Department will give notice on its website when a sufficient number of applications have been received to exhaust the Supportive Housing funds offered under this NOFA. The Department reserves the right to award more than $80 million under this NOFA, if necessary, to fully fund the last approved project.

For application questions contact any member of the Supportive Housing staff as listed in the application. Applications must be delivered to the following address by private carrier mail or U.S. mail:

U.S. Mail
MHP Supportive Housing
Department of Housing and
Community Development
Division of Financial Assistance
P.O. Box 952054
Sacramento, CA 94252-2054

Private Carrier
MHP Supportive Housing
Department of Housing and Community
Development
Division of Financial Assistance
1800 Third Street, Room 460
Sacramento, CA 95811

Applications will be date-stamped as soon as they are received and reviewed in the order received. The Department will endeavor to complete an initial staff review after application receipt, consisting of determination of completeness, threshold eligibility issues and initial point scores. Qualifying projects will then move forward into a feasibility review. Feasible projects will be then be scheduled for presentation to the Department's Local Assistance Loan and Grant Committee (Committee).

C. Program Changes

Significant changes applicable to this NOFA include:

- Projects that have received an award from the Department's Housing Policy Development Division via the Catalyst Projects for California Sustainable Strategies Pilot Program will receive five bonus points in the application scoring process. More information is available on the Department's website at: http://www.hcd.ca.gov/hpd/cpcsspp.html.

- Projects awarded funding through the November 22, 2010 MHP General NOFA are ineligible for funding under this Supportive Housing NOFA.

Significant changes applicable to this NOFA carried over from prior NOFAs include:

- Supportive Housing projects which have a confirmed application or commitment of funding from the Mental Health Services Act (MHSA) housing program will not be subject to service plan review requirements for those units funded with MHSA capital and operating subsidies. Such units will not be subject to the MHP Transition Reserve requirement in Section 7312(f)(2). To demonstrate commitment of MHSA funding, Sponsors must include in the application any or all of the following:

  - Letter of commitment of funds from the County Mental Health Director or Housing Coordinator (alternatively, a letter of invitation to proceed to complete an MHSA application). The letter must include specific amounts and number of MHSA units applied for.
  - Print out of the 30-day public posting of the MHSA service plan and application at the County's Mental Health website; or
  - Any document evidencing the County's approval of MHSA funding, with specific funding amount and number of units.

  Sponsors are still required to submit, under application Item B14, information detailing the Unit Calculation (Part 1, Section 1), Target Population Checklist

(Part 1, Section 2), Characteristics of Supportive Housing (Part 2, Section 2), Project Sponsor and Service Provider Experience (Part 4, Section 1) and Property Management Experience (Part 5, Section 1).

- The following italicized clarifying information has been added to the application attachment D3: The Sponsor must also receive the majority of the developer fee for the Project, *unless all other partners (except for the investor limited partner) have developed and completed a minimum of three affordable housing developments in the past five years. This same principle will be applied to limited liability companies as well.*

- To encourage greater occupancy levels by Homeless households, Supportive Housing projects reserving at least 35 percent of the total project units for Homeless eligible households may opt for either: higher loan amounts in Loan Limits Chart B (see Section L) or ability to utilize nine percent Low-Income Housing Tax Credits (LIHTC) (see Section J).

- Replacement Reserve Deposits:

Type of Project	**Minimum Required Initial Annual Deposit to Replacement Reserve**
New Construction or Conversion	0.6% of the structure construction cost, up to $600 per unit (or $500 per unit if the project is receiving permanent financing from CalHFA). "Structure construction cost" does not include construction contingency, general contractor profit, overhead, or general requirements.
Rehabilitation	The deposit amount required will be determined by HCD based on a third-party physical needs assessment (PNA). At time of application, prior to completion of the PNA, HCD will base its underwriting on a preliminary estimate. This preliminary estimate is $515 per unit.

- Market Studies will be required for projects where the Department is unable to make a clear determination that projected rental income is attainable. The Department prefers that Sponsors include a Market Study in the application. The Market Study is an alternate method to establish vacancy rate and score project points. Market Studies must include an analysis related to the proposed target populations and be performed in accordance with the most recent version of the California Tax Credit Allocation Committee (TCAC) Market Study Guidelines.

- Projects documenting funding commitments from local governments for operating subsidies, services funding, or both, for five years or longer will receive a five point bonus for project point scoring. Federal funding administered by local governments and MHSA Housing Program funding will qualify for the bonus. Documentation must be through a firm letter of Commitment, Subsidy, or Service Contract that indicates the purpose, terms and contract amounts.

- The ballot measure for Proposition 1C contained language that indicates that its programs will be serving several identified targeted populations. Most of

the identified populations are either targeted by specific programs or easily identified through specific programs by the nature of the facility funded. However, none of the programs funded through Proposition 1C specifically target the elderly or veteran populations. The Department, thus, requires grant and loan recipients for its multifamily programs to obtain this information as part of the tenant application process and to report this statistical information in its annual reporting. Should the Department find that its multifamily programs are inadequately serving these populations it reserves the right to make adjustments to the competitive process as needed.

- The Adaptive Reuse/Infill/Proximity to Amenities scoring section of the application has been changed to include priority points for projects which utilize sustainable building methods.

- Clarifying information on funding sources that may not be counted for increasing Developer Fees, and uses of funds that will be counted toward Developer Fee limits, is located in Section O.

D. Application Workshops

Application workshops are scheduled as follows:

Date	Location	Time
January 19, 2011	Department of Housing & Community Development 1800 Third Street, Room 183 **Sacramento, CA 95811**	10 a.m. to 2 p.m.
January 20, 2011	Elihu Harris State Building 1515 Clay Street, Room 11 **Oakland, CA 94612**	10 a.m. to 2 p.m.
January 25, 2011	California Tower 3737 Main Street, Room 206 **Riverside, CA 92501**	10 a.m. to 2 p.m.
Janaury 26, 2011	Junipero Serra State Building 320 West 4th Street, Seventh floor conference room **Los Angeles, CA 90013**	10 a.m. to 2 p.m.

ADVANCE REGISTRATION FOR THE WORKSHOPS IS REQUESTED. Please complete the attached registration form and return via email to bstolk@hcd.ca.gov or fax to (916) 445-0117, attention Barbara Stolk, at least 24 hours before the workshop. ***Printed materials will not be provided at the workshop. Materials will be made available for download and printing from the Department's website or via e-mail by request.***

E. Program Summary

The MHP provides low-interest loans to developers of affordable housing. MHP Supportive Housing funds available under this NOFA may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures.

HCD expects MHP funds to be leveraged with other resources, including local government funds, the federal Continuum of Care programs, LIHTC, tax-exempt bond financing and private debt financing.

Applicants may apply for funding for projects containing:

1. Supportive Housing units only;
2. Supportive Housing and Homeless Youth units; or
3. Supportive Housing and other units (mixed projects).

Note: see Section Q for project type definitions

Under this NOFA, the maximum loan limit amount will be based on the number of Supportive Housing and Homeless Youth units, and the Manager's unit(s), if applicable (see Section L).

F. Program Regulations and Legal Authority

MHP was established by Chapter 637, Statutes of 1999 (SB 1121, Alarcón), which created Chapter 6.7 of Part 2 of Division 31 commencing with Section 50675, of the Health and Safety Code. Applications submitted under this NOFA shall be subject to two sets of regulations: the MHP specific regulations (including Article 6, Supportive Housing) Title 25 California Code of Regulations (CCR) 7300, *et seq.*, and the Uniform Multifamily Regulations (UMR), 25 CCR 8300, *et seq.* Applications submitted under this NOFA are also subject to the applicable statutory requirements, including those of Proposition 1C and Chapter 27, Statutes of 2006 (SB 1689, Perata) and the requirements specified in this NOFA.

Applications submitted under this NOFA containing Homeless Youth Housing units are also subject to the requirements specified in the Homeless Youth Housing NOFA issued November 22, 2010.

G. Relation to Other Proposition 1C Funding

This NOFA offers funding for units targeting certain disability groups. However, two other components of MHP are also available to housing developments targeting this population.

MHP's "General" component, under which a $90 million NOFA was issued Novermber 22, 2010, assists a wide variety of housing types. It is offered through a competitive process, and one way to enhance a project's competitiveness is to reserve a certain number of units for special needs populations.

MHP's Homeless Youth component, under which a $30 million NOFA was issued November 22, 2010, offers funding earmarked exclusively for housing for homeless youth.

Information on the General and Homeless Youth components of MHP is available at http://www.hcd.ca.gov/fa.

H. Eligible Project Sponsors

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided they or their principals have successfully developed at least one affordable rental housing project.

The Department will evaluate all Sponsors, including the roles of any general partner(s) in a limited partnership, to determine if the Sponsor's roles, responsibilities, and benefits in the project development and operations are commensurate with activities normally undertaken or controlled by project developers and owners. The Sponsor entity will be reviewed to determine if adequate staffing levels exist to undertake and complete the proposed project.

If the Borrower is an entity other than the Sponsor identified in the application, the Department may require the Sponsor to enter into a Sponsor Operating Guaranty as a condition of closing the MHP loan.

Sponsors will be required to demonstrate how the Sponsor identified in the application will maintain full control of the Ultimate Borrower entity, and the development, ownership, and management of the project. Documentation supporting the Sponsor's control of the borrowing entity must be submitted at the time the Ultimate Borrower is formed and in all cases, prior to the construction loan close.

The entity that submits information to garner experience points must be named as the Sponsor in the application. The Department will permit loan commitments to be transferred to single-asset entities provided the Sponsor entities maintain sufficient control of the borrowing entity to ensure that the Ultimate Borrower has the resources and experience to develop, own and manage the project. The same threshold criteria will be applied to evaluate Sponsor experience for purpose of awarding points.

Sponsors of projects where at least 70 percent of the units consist of supportive housing units or special needs populations are exempt from the requirement for previous development experience under limited conditions, described in UMR Section 7303(d).

Sponsors must have site control documentation in the name of the Sponsor or an entity controlled by the Sponsor as required under the UMR Section 8303.

I. Eligible Uses of Funds

MHP funds will be provided as permanent financing only, and may be used to take out construction loans incurred for normal project development (capital) costs, as detailed in Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308.

On-site supportive services coordination may be treated as a project operating cost, payable from operating income. MHP funds shall not be used for the cost of supportive services, although the cost of an on-site support services coordinator may be treated as a project operating expense, payable from operating income. MHP funds must be attributed to the development cost of restricted units or to the costs of facilities used for childcare, after-school care, and social service integrally linked to the restricted units.

Applications will be reviewed to ensure that development costs do not include payments for appreciated equity through transfers or syndication between related parties. The term "related parties" as used in this paragraph has the same meaning as TCAC Regulation 10302(gg). MHP funds must be used to fill financing gaps resulting from deep income targeting and affordability. Equity cash-out does not meet the goals of the program and thus is not an eligible use of MHP funds. Costs representing the cash out of existing equity will not be recognized as an eligible use of funds (see Section 7304).

J. Eligible Projects

Projects must qualify as rental housing developments, as defined in UMR Section 8301, and meet the requirements of Sections 7302 and 7342. Projects funded under this NOFA must contain at least five units and Supportive Housing units, as defined in Section Q, consisting of 35 percent of the total project units. Tenant household income of Supportive Housing units at initial occupancy shall not exceed 30 percent of the greater of Area Median Income (AMI) or State Median Income (SMI). Supportive Housing units must be used for permanent housing only.

Projects must meet standards described in UMR Section 8310 and are ineligible if construction has commenced prior to submission of a complete application, or if the project is already fully funded.

Furthermore, projects not serving the Homeless in at least 35 percent of the units which are submitted for MHP funding and submitted subsequently for nine percent LIHTC will be deemed ineligible, and the funding commitment will be immediately rescinded.

K. Projects with Extraordinarily High Development Costs

The Department is concerned about the extremely high cost of a number of projects funded in the recent past, and the extraordinary level of public subsidy required by these projects. The Department may require a thorough justification of costs when the Committee determines that proposed development costs exceed a normal range of development cost for the project's market area.

Consistent with UMR Section 8311, the Department reserves the right to reject an application if total development cost exceeds an amount that cannot be reasonably justified, in comparison to the costs for other similar developments of modest design in the geographical area. The Department will further examine any justification of costly design features, extraordinary site development costs (where these costs are not fully compensated for by a sharply discounted

purchase price), or where the constraints of the site necessitate an especially expensive design.

L. Maximum Loan Amounts

The maximum loan per project is $10 million. The maximum loan amount per Supportive Housing unit is a function of unit size, location, and affordability level per Section 7307. Maximum loan limits are in two charts "A" and "B" (see the Department's website at: *http://www.hcd.ca.gov/fa/mhp/SHIncomeRentsLoanLimits.pdf*).

Projects awarded under this NOFA without nine percent LIHTC and that set aside 70 percent of units for Homeless will have their elevated loan limit amount reduced, if the Project subsequently receives nine percent LIHTC.

The manager's units that are restricted are eligible to receive a loan amount available to the project in the fixed amount of $30,000 per unit for Northern California projects and $45,000 for Southern California and Central Valley projects. For the purpose of geographic distribution, Central Valley includes the counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare counties.

M. Loan Terms and Security

Loans will have a 55-year term, and bear simple interest at the rate of three percent per year. For the first 30 years, annual payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The annual payment amount for the next 25 years will be set by the Department in year 30, and will be the minimum amount necessary to cover the Department's monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term.

Cash flow remaining after payment of all debt service, operating expenses, required reserves, asset management fee, and allowable deferred Developer Fee and Distributions per UMR Section 8314, shall be applied toward repayment of the MHP loan. If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, and amortizing loans from institutional lenders and the federal government, provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local loan is at least twice the amount of the MHP loan (see Section 7306(e) and UMR Section 8315).

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to the Department. The term of a leasehold interest must be at least 90 years, and 65 years when the lessor is a public entity, from the date the

Department's documents are recorded. This term excludes any unexercised lease extensions. If the MHP loan is secured by leasehold, the owner of the fee and the borrower must sign a recordable lease rider approved by the Department (see UMR Section 8316 for other leasehold requirements).

N. Rent and Occupancy Limits

MHP-assisted unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project Sponsor in their MHP application, with rents not exceeding 30 percent of the applicable income limit. The income limits are posted at the Department's website at: http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html.

Projects will be underwritten at the rent limits for the income levels proposed in the application. The Department's first year debt service coverage ratio requirement of 1.1:1 to 1.2:1 will be applied using the maximum rents allowable.

Assisted unit rent increases will be limited in accordance with the rules governing tax credit units and as specified in Sections 7311 and 7312. Where the project receives Project-Based Section 8 or other rental assistance subsidies, "rent" is defined as the tenant's contribution, rather than the contract rent level. Sponsors of this type of project will be required to continue the rental assistance as long as it is available. For projects receiving renewable Project-Based rental assistance, excluding MHSA and Department of Housing and Urban Development (HUD) Section 811, the Sponsor shall capitalize two years of transition reserve to be used in the event the subsidy contract is terminated.

The reserve shall be funded in an amount sufficient to prevent any rent increases for units that previously received rental assistance and are restricted to households with incomes not exceeding MHP rent levels A, B or C or units garnering income-targeting points (per Section 7312(f)(2)). After the two-year transition period, a project must be feasible at 50 percent of AMI for units garnering income-targeting points (per Section 7312(f)(3)).

O. Developer Fee and Distribution Limitations

Developer fees mean the same as the definition of that term in the California Code of Regulations, Title 4, and Section 10302 and includes Financial Consulting Costs. Developer fees are limited in accordance with the schedule shown in UMR Sections 8312 and 8314. Distributions to the Sponsor out of operating income are also limited in accordance with UMR Sections 8312 and 8314.

The value of land donations received from city and/or county jurisdictions, master developers or other entities which are not the Sponsor or an affiliate of the Sponsor will not be counted as a capital contribution to increase Developer Fee limits as described in UMR Section 8312(d).

Furthermore, cash contributions received by the Sponsor or an affiliate of the Sponsor from master developers or other entities that are not controlled by the project Sponsor or Co-Sponsor, where such cash contributions are contingent

upon the development of the affordable housing project, may not be counted as a capital contribution to increase Developer Fee limits.

Developer Fees are all funds paid at any time as compensation for developing the proposed projects to include all development consulting fees, processing agent fees, developer overhead and profit, construction management oversight fees if provided by the developer, personal guarantee fees, syndicator consulting fees and reserves in excess of those customarily required by multifamily housing lenders. The Department has interpreted this definition to include any lease-up fees, incentive fees, or other property management fees, in excess of those customarily charged by property management firms for lease-up activities, which are paid to the Sponsor or Co-Sponsor, or a management company affiliated with the Sponsor or Co-Sponsor.

P. HUD Section 811 Projects

For HUD Section 811 projects, the Sponsor must demonstrate its ability to meet the required annual MHP debt payment (0.42 percent for the first 30 years, then adjusted to cover the Department's cost of monitoring the loan) over the 55-year term of the MHP loan. This is done by capitalizing a reserve account, within the Development Budget, in an amount sufficient to cover the annual payment over the 40 year term of the HUD loan. However, please note that MHP bond funds awarded under this NOFA are not available to fund this reserve.

Prior to commencement of construction, the Sponsor must also provide the Department with evidence of HUD approval of the HCD approved Tenant Selection Plan, including specifically the deep income targeting and the homeless (or At-Risk-of-Homelessness) criteria required by the MHP Supportive Housing loan.

The Department will defer to the HUD reserve requirements for the life of the HUD loan. Upon expiration of the HUD loan, the Sponsor will then comply with the MHP requirements for both operating and replacement reserve accounts.

Q. Households Eligible for Supportive Housing and Homeless Youth Units

As defined in Section 7341, in order to be eligible for *Supportive Housing units*, households must be homeless or at-risk of homelessness, and include a disabled adult as specified below.

1. "Homeless" means:
   - moving from an emergency shelter; or
   - moving from transitional housing; or
   - currently homeless, means:
     - An individual who lacks a fixed, regular, and adequate nighttime residence; or
     - An individual who has a primary nighttime residence that is:
       i. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); or

ii. An institution that provides a temporary residence for individuals intended to be institutionalized; or
iii. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or

2. "At-risk of homelessness" means:
   - Households with incomes at or below the greater of 20 percent of SMI or AMI with no rental subsidy available to the household; or
   - Households with incomes above 20 percent but not exceeding 30 percent of the greater of SMI or AMI who:
     - Face immediate eviction and have been unable to identify a subsequent residence; or
     - Face imminent release from an institution (i.e., jail, hospital or foster care system) where other housing placement resources are not available; or
     - Reside in an overcrowded setting (more than two persons per living/sleeping area) in which the household does not hold a lease; or
     - Reside in substandard housing subject to a current official vacation notice (notice to vacate); or
     - Pay more than 50 percent of income in housing costs.

3. A "disabled adult" is a person 18 years of age or older, or an emancipated minor with a qualifying disability. Qualifying disabilities are:
   - Mental illness; or
   - HIV or AIDS; or
   - Substance abuse; or
   - Developmental disability; or
   - Long-term chronic health condition that qualifies them for:
     - Eligibility under either of two Medicaid Waiver programs, the Multipurpose Senior Services Program or the Assisted Living Waiver Pilot Program (or its successor);
     - Eligibility for 20 or more personal care hours per week under the In-Home Supportive Services Program; or
     - Eligibility for services under the Program of All Inclusive Care for the Elderly.

Eligibility for these programs must be established by the agency responsible for determining eligibility for the benefits it provides.

In order to be eligible to for *Homeless Youth* units, a household must include a homeless youth, which is defined in Government Code Section 11139.3(e)(2) as either:

- A person who is at least 18 years of age, but not older than 24 years of age, and meets one of the following conditions:
  - is homeless or at risk of becoming homeless
  - is no longer eligible for foster care on the basis of age
  - has run away from home
- A person who is less than 18 years of age who is emancipated pursuant to Part 6 (commencing with Section 7000) of Division 1 of Family Code and who is homeless or at-risk of homelessness.

Eligible Homeless Youth households need not be disabled, as is required under Supportive Housing.

R. Supportive Service and Property Management Requirements

Projects shall be designed to provide affordable housing with access to an array of services and amenities for tenants whose ability to live independently would be improved by the availability of such services and amenities. Supportive Housing projects shall be linked to on-site or off-site services that assist the tenant to: retain the housing, improve his or her health, and to maximize his or her ability to live and where possible, work in the community. As part of the MHP application, Sponsors must submit a Supportive Housing Project Plan that meets the requirements of Sections 7345 and 7342(e) and (f).

S. Funding Compatibility

Sponsors typically anticipate using an array of funding sources for the construction and permanent financing of their projects. The Sponsor should determine, prior to applying for the MHP funds, that the requirements of the non-MHP funding sources are compatible with the requirements of the MHP. For example, compatibility issues have arisen with local and federal funding sources related to:

- The required terms of the MHP security when the security for the MHP loan is in a leasehold interest (UMR Section 8316);
- The MHP prohibition of senior debt that has a provision for a "balloon" payment. Often bond financing provisions include interest rate resets with potential calls prior to the full amortization term of the loan. Any interest rate resets or similar provisions governing senior debt shall contain a specified interest rate cap, subject to the approval of the Department and shall not jeopardize the feasibility of the project. Details of this issue and the Department's policy may be found on the Department's website at: http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/ManagementMemo07-01.doc;
- Under MHP, senior debt with a variable interest rate is underwritten at the ceiling interest rate;
- The mandatory payment to HCD of the 0.42 percent debt service;
- The MHP requirement to target some of the project rents to extremely low income households that are below the federal income eligibility standard;
- The state statutory requirement that projects financed with MHP pay no less than the state prevailing wage rate;
- Terms of other public agencies' financing requiring hard debt service; and
  An identity of interest between affiliated parties providing project financing. Details of this issue and the Department's policy may be found on the Department's website at: http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/ManagementMemo09-03.doc.

T. Prevailing Wage Requirements

Pursuant to Health and Safety Code section 50675.4(c)(2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code Section 1720 et seq.

U. Important Legal Matters

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 all interested parties.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

Sponsors must also be very careful to avoid violation of fair housing laws. The Department will review proposed tenant selection criteria for potential violations of these laws. A useful resource is "*Between the Lines, A Question and Answer Guide on Legal Issues*" in Supportive Housing, published by the Corporation for Supportive Housing available online at www.csh.org.

In evaluating the tenant selection criteria for Supportive Housing applications, the Department will first examine whether the criteria resulted from federal or state funding, as an indicator of legislative authorization. It will then review other aspects of the selection criteria, the services and facilities proposed to meet the needs of the targeted group and the proposed sources of other funding.

If an applicant disagrees with the determination of the Department, it may seek an alternate opinion from the California Department of Fair Employment and Housing (DFEH). The Department will defer to DFEH's opinion. Please be advised that a proposal may have substantial discrimination problems even though it targets a group specifically listed in the definition of Supportive Housing or Special Needs Populations in Sections 7301(r) and 7341.

V. Application Point Scoring

The criteria that will be used to score projects are described in Sections 7320 and 7346, and summarized below. Projects must receive a minimum point score of 125, as determined by the Department, in order to be considered for a funding award. Additionally, projects must score at least four points in Development and Ownership Experience of the Project Sponsor (application attachment D3) at least five points in Project Readiness (application attachment D6).

Scoring Category	Max. Points	Comments
Extent Project serves the lowest income levels	35	The income levels referenced in the regulations are posted the Department's website.
Extent the Project Addresses The Most Serious Local Housing Needs	15	Local housing need is established on the basis of verification by the locality and for some mixed projects, by documenting the market vacancy rate.
Development and Ownership Experience of the Sponsor	20	Minimum point score of four points is required. Experience for the prior 10 years is considered.
Percentage of units for families or Supportive Housing units and "At-Risk" Rental Housing Developments	35	Because projects eligible to apply under this NOFA must have at least 35 percent supportive housing units, they will automatically receive full points in this scoring category.
Leverage of Other Funds	20	Projects demonstrating program collaboration focus on measurable outcomes and service utilization tracking will receive a competitive advantage in the leverage category. See application and Section 7346(c) for specific requirements.
Project Readiness	15	Minimum point score of five points is required. The total score is the sum of point awards in six sub-categories measuring readiness.
Adaptive Reuse / Infill / Proximity to Amenities / Sustainable Building Methods	10	Projects demonstrating compliance with the conditions of any subcategory will receive full points in this category.
Local Commitment of At Least Five Years For Services or Rental Subsidy	5	Bonus points awarded to applications documenting such commitments for at least five years.
Catalyst Program Award	5	Projects receving an award from The Catalyst Program will receive five bonus points.
Total Maximum Points	150	**Note**: although mathematically possible to score 160 points, the maximum reportable score shall be 150 points.

W. Disclosure of Application.

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosed to any person making a valid public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to the Department, the Sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request. Questions should be directed to the MHP program staff. Contact information is found on the second page of the MHP Supportive Housing Application Attachment.

Thank you for your interest in the Multifamily Housing Program.

Sincerely,

Chris Westlake
Deputy Director

Attachment 1

MHP Supportive Housing Program Workshop Registration Form

The Multifamily Housing Program (MHP) workshop is designed to provide training on the MHP application and technical assistance for applicants. It is strongly recommended that you attend. Please RSVP by completing and submitting this single page (no cover sheet is needed) to: *bstolk@hcd.ca.gov* or FAX (916) 445-0117 at least 24 hours before the workshop date.

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

Please place an X next to the workshop you wish to attend:

_____ **Sacramento, Wednesday, January 19, 2011**

_____ **Oakland, Thursday, January 20, 2011**

_____ **Riverside, Tuesday, January 25, 2011**

_____ **Los Angeles, Wednesday, January 26, 2011**