DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
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July 26, 2017

MEMORANDUM FOR: INVITED APPLICANTS AND OTHER INTERESTED PARTIES

FROM: Kathryn Amann, Acting Deputy Director
Division of Financial Assistance

SUBJECT: **AMENDMENT #1 FOR NOTICE OF FUNDING AVAILABILITY- Emergency Solutions Grant Program for the Continuum of Care Allocation**

This Memorandum announces changes to the Emergency Solutions Grant Program Notice of Funding Availability (NOFA) for the Continuum of Care Allocation.

On June 13, 2017, the Department of Housing and Community Development (Department) announced the availability of an estimated $6.7 million in federal funds for the Emergency Solutions Grant (ESG) Program and approximately $7.2 million in State funds for the California ESG Program (CA ESG) for the Continuum of Care Allocation (CoC). The Department is updating the estimated amount of federal funds and providing clarification regarding indirect costs. Due to the following changes, the application due date is being extended to **Friday, September 1, 2017 by 5:00 p.m. Pacific Standard Time.**

The Department hereby announces the following updates to the NOFA and Application:

- The federal funding amount for this NOFA increased **from an estimated $6.7 million to approximately $7.2 million**. Updated CoC allocations are listed in Section VII of the NOFA.
- Section IV.B of the NOFA clarifies requirements for Grantees that will allow their subgrantees to seek reimbursement for indirect costs.
- **Form I**: Award Package has been updated requesting Administrative Entities to breakout Homeless Management Information System (HMIS) and Coordinated Entry Activities (CES) amounts by activity if applicable.

- **Form V** has been updated to remove duplicative requests for information. The Budget Workbook has been updated to remove requests for indirect costs information.
- **Form VI**: Certificate of Indirect Costs has been amended to clarify requirements for grantees seeking reimbursement for their providers' indirect costs.
- The due date for the CoC application package has been extended to **Friday, September 1, 2017 at 5:00 p.m. Pacific Standard Time**.

These changes have been incorporated into the ESG CoC NOFA and application forms for the CoC Allocation at this time.

If you have any questions or require assistance, please contact
Janette Schaake, NOFA Representative, (916) 263-2331, Janette.Schaake@hcd.ca.gov; or
Connie Mallavia, NOFA Representative, at (916) 263-2711 Connie.Mallavia@hcd.ca.gov; or
Cheryl Jeffreys, NOFA Representative, at (916) 263-6422 or Cheryl.Jeffreys@hcd.ca.gov.

ATTACHMENT

Joint Federal Emergency Solutions Grant and California Emergency Solutions Grant Program

2017 Notice of Funding Availability For the Continuum of Care Allocation

State of California
Governor Edmund G. Brown Jr.

Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency

Ben Metcalf, Director
Department of Housing and Community Development

NOFA Section, ESG Program
2020 West El Camino Avenue, Suite 500, Sacramento, CA 95833
ESG Program Email: ESG@hcd.ca.gov

July 2017

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I. INTRODUCTION

Overview

The California Department of Housing and Community Development (HCD) is pleased to announce the availability approximately $7.2 million in federal funds for the Emergency Solutions Grant (ESG) Program, and approximately $7.2 million in State funds for the California ESG Program (CA ESG) for eligible Continuum of Care (CoC) Service Areas listed in Section VII. The 2017 federal ESG allocations have not yet been released; thus, the available federal funds amount may change.

The ESG Program provides funding to: (1) engage homeless individuals and families living on the street; (2) improve the number and quality of emergency shelters for homeless individuals and families; (3) help operate these shelters; (4) provide essential services to shelter residents; (5) rapidly re-house homeless individuals and families; and, (6) prevent families/individuals from becoming homeless.

HCD receives federal funds for ESG from the United States Department of Housing and Urban Development (HUD), and the CA ESG funds from the 2016-17 California Budget Bill, SB 837 (Section 72). The federal and State ESG Program funds are distributed into two separate funding pools: 1) the Continuum of Care Allocation Pool (CoC Allocation) and, 2) the Balance of State Allocation Pool (BoS Allocation).

This Notice of Funding Availability (NOFA) outlines requirements and timelines for approved units of general local purpose governments[1], which are known as Administrative Entities (AEs), in the CoC Allocation (see the Regulatory Authority Section below for the regulations and guidelines). AEs are responsible for administering ESG funds in collaboration with their local CoC for their respective CoC service area. This NOFA also provides documentation requirements for AE's approved to administer the 2017 ESG funding.

All references to the "State" are references to the State of California. All references to ESG funding hereafter reference both HCD's federal ESG and State of California (CA) ESG funds, unless otherwise noted.

[1] Unit of general purpose local government means any city, county, or other general purpose political subdivision of a State.

Regulatory Authority

This NOFA should be read in conjunction with the following regulations and guidelines, which establish federal and State ESG requirements:

A. Code of Federal Regulations (CFR), Title 24, Part 576;

B. California Code of Regulations (CCR), Title 25, Division 1, Chapter 7, Subchapter 20;

C. Chapter 19, Section 50899.1 of Part 2 of Division 31 of the Health and Safety Code (CA ESG Statute); and,

D. Department of Housing and Community Development, California Emergency Solutions Grants Program, Program Guidelines, Section100 et seq.

If federal or State statutes or regulations, or other laws, governing ESG (or its funding) are modified by Congress, HUD, HCD or the State Legislature, prior to completion of work to be done pursuant to awards made in connection with this NOFA, the changes may become effective immediately and apply to funded activities.

In administering federal ESG funds under this NOFA, if there is a conflict between the federal and state regulations, the federal regulations shall prevail. In administering CA ESG funds under this NOFA, if there is conflict between federal and State regulations, pursuant to Section 100(c) of the State guidelines, the State guidelines shall prevail. In addition, 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 interested parties.

II. KEY CHANGES IN 2017

The 2016-17 California Budget Bill, SB 837 (Section 72) enacted and funded the CA ESG Program. The Program operates under the same requirements as the federal ESG program with the following exceptions:

A. AEs may take five percent of their CA ESG formula allocation for grant administration (CA ESG Guidelines Section 102 (b)).

B. CA ESG funds are available to all CoC Service Areas, including Service Areas that contain no Nonentitlement Areas (CA ESG Guidelines Section 102 (c)).

C. Up to 20 percent of an individual CA ESG formula allocation can be used to support the development or operation of local Coordinated Entry systems. Coordinated Entry costs that involve capital development activities, such as real property acquisition, construction or rehabilitation activities will not be eligible under CA ESG (CA ESG Guidelines Section 108(b)).

D. There is no match requirement for CA ESG funds. Federal ESG funds are still required to be matched[2]. Matching contributions may be obtained from any source, including any federal source other than the HUD ESG awards, as well as state, local, and private sources. CA ESG funds may be used for the one-to-one match of the federal ESG funds and must be for the same approved activity.

E. Grantees allowing their subgrantees to seek reimbursement for their indirect costs shall certify compliance with the Office of Management and Budget (OMB) requirements and standards for indirect costs (see Section IV. B. Eligible Costs).

III. THE AE PROVIDER SELECTION PROCESS

AEs are responsible for awarding ESG funds to eligible service providers for ESG eligible activities in their approved CoC Service Area(s). Continuation grants are acceptable as long as they meet the requirements of 25 CCR Section 8403.

Pursuant to 25 CCR Section 8403(g), AEs shall select qualified service providers through a process that is consistent with the following requirements:

A. Is a fair and open competition which avoids conflicts of interest;

B. Follows procurement requirements of 24 CFR Part 84;

C. Evaluates provider capacity and experience, including the ability to deliver services in Nonentitlement areas;

D. Evaluates eligibility and quality of services, including adherence to Core Practices pursuant to 25 CCR Section 8409 and Section 109 of the CA ESG Guidelines;

E. Utilizes data and considers community input to identify unmet needs;

F. Prioritizes activities that address the highest unmet need, considering other available funding and system-wide performance measures;

G. Considers project-level performance measures when evaluating proposals; and,

H. Collaborates with the local CoC.

[2] 24 CFR 576.201; 25 CCR 8410; CA ESG Guidelines Section 110

Note: 25 CCR Section 8408 prohibits subpopulation targeting with ESG funds in Homelessness Prevention (HP) and Rapid Re-Housing (RR) programs, except if documentation of *all* of the following is provided to the Department prior to the award of funds for these activities:

There is an unmet need for these activities for the subpopulation proposed for targeting; and,

- There is existing funding in the CoC Service Area for programs that address the needs of the excluded populations for these activities.

IV. 2017 STATE ANNUAL ACTION PLAN REQUIREMENTS RELATIVE TO ESG

The following requirements relevant to the AE activities have been proposed in the HCD's Annual Action Plan. The Annual Action Plan is required by HUD pursuant to 24 CFR Part 91 governing the distribution and use of ESG funds allocated by HUD to states and local governments.

A. Amounts available for Administrative Activities

Of the allocation available to each AE, approximately 2.7 percent of federal ESG funds[3] and 5 percent of CA ESG funds may be used to pay for direct administrative or program costs[4]. For the estimated administrative amounts see Section VII.

B. Eligible Costs

Grantees and their recommended subgrantees must follow all OMB Cost Principles and general accounting concepts. The OMB requirements are listed in 2 CFR Part 200. Costs charged to the ESG Program must be allowable, allocable and reasonable.

Allowable costs must conform to any limitations or exclusion set forth in the federal cost principles and the ESG award. In addition, allowable costs must comply with the policies and procedures afforded all activities within the grantee or subgrantee organization and must be accorded consistent treatment (whether as an indirect or direct cost). Finally, allowable costs must comply with the Generally Acceptable Accounting Principles (GAAP) and the costs must be adequately documented.

Allocable costs are those treated consistently with other costs incurred for the same purpose in like circumstances, and these costs must meet the requirements listed in 2 CFR Part 200.405.

Shifting costs between awards to overcome funding deficiencies is not allowed.

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3 25 CCR Section 8402 (a)

4 Health and Safety Code 50899.5

A cost is reasonable if, in its nature or amount, it does not exceed a cost which would be incurred by a prudent person under the circumstances prevailing at the time a decision was made to incur the cost.

Eligible costs may be direct or indirect. They must be incurred for the same purpose in like circumstances and must be treated consistently as either direct or indirect costs.

Direct costs are those costs that can be identified specifically with a particular final cost objective (such as the ESG award) and can be directly assigned to an activity relatively easily with a high degree of accuracy.

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective or activity.

Grantees that allow their subgrantees to seek reimbursement for indirect costs must comply with all OMB requirements including 2 CFR 200.403 and Part 200 Appendix 4. Grantees records must include evidence of the Modified Total Direct Cost (MTDC) calculations, indirect cost limits, and supporting documentation for actual direct cost billing.

C. **Eligible Activities** (25 CCR Sections 8403 (h) 8408 (b))

1. For the 2017 NOFA, all activities permitted under the federal ESG regulations shall be eligible except for stand-alone Homelessness Prevention (HP) activities. Any Emergency Shelter (ES) or Rapid Rehousing (RR) activity can use up to a total of 10 percent of their grant funds for Street Outreach (SO) or HP activities in conjunction with their core activity. Stand-alone SO and coordinated entry systems activities are permitted.

2. Homeless Management Information System (HMIS) (24 CFR 576.107; 25 CCR Section 8408)

   a) A maximum of 10 percent of ESG funds may be used for actual costs for HMIS activities.

3. Coordinated Entry Activities (CA ESG Guidelines Section 108)

   a) A maximum of 20 percent of CA ESG funds may be used for costs necessary to develop or operate a centralized or coordinated assessment system (Coordinated Entry). Coordinated Entry costs that involve capital development activities, such as real property acquisition, construction, or rehabilitation activities, **will not** be eligible costs under CA ESG.

4. Minimum and maximum percentage of an allocation for Rapid Rehousing (25 CCR Section 8403 (i))

   a) AEs must award no less than 40 percent of their available ESG funds to RR. AEs partnering with a neighboring CoC for a Balance of State Allocation must award 100 percent of both Service Area formula allocations to RR (25 CCR 8403 (a) (1)).

5. Match Requirements (24 CFR 576.201; 25 CCR Section 8410; CA ESG Guidelines Section 110)

   a) Funded applicants must make matching contributions in an amount that equals the amount of federal ESG funds awarded. HCD will request documentation as part of program monitoring in order to determine the sources and amounts used to meet the federal ESG matching requirement. There is **no** matching contribution requirement for activities funded with CA ESG funds. CA ESG funds may be used for the one-to-one match of the federal ESG funds as long as they are for the same approved activity.

6. Application and Contract Limits

   a) AEs will be responsible for setting any minimum and maximum grant amounts provided to their subcontractors, as well as limits on the number of these subcontractors. HCD will be monitoring AEs to ensure they can effectively manage the number of awards and subcontracts they have funded.

   b) In addition, the AE must ensure that all funded activities are available to Nonentitlement areas of the Service Area, through the use of Coordinated Entry and other means. The AE shall facilitate outreach to reach populations in the Nonentitlement areas and shall evaluate participation from these areas at least annually. Funded activities may also serve households located in ESG Entitlement Areas.

V. ESG ADMINISTRATIVE ENTITY APPLICATION AND SUBMITTAL REQUIREMENTS

The ESG AE Application forms and the budget workbook are available on-line to download at http://www.hcd.ca.gov/grants-funding/active-funding/esg.shtml. One hardcopy application with wet, original signatures and USB flash drive that includes a copy of the application with signatures must be received by HCD on or before the application deadline.

Applications will be accepted beginning the first business day following release of this NOFA and must be received by HCD no later than **5:00 p.m.** on **July 17, 2017**. HCD will only accept applications through postal carrier such as U.S. Postal Service, UPS, FedEx or other carrier services that provide date stamp verification confirming delivery to HCD's office. Please contact HCD if delivery is not completed by fault of the private courier/U.S. Mail. **Personal deliveries are not accepted.** The delivery address is:

Department of Housing and Community Development
Division of Financial Assistance
Emergency Solutions Grants Program
NOFA Section, ESG Program
2020 West El Camino Avenue, Suite 500
Sacramento, CA 95833

Applications that do not meet the filing deadline will not be eligible for funding. Applications must be on the HCD form provided and cannot be altered or modified by the Applicant.

VI. ANTICIPATED PROGRAM TIMELINE

July 21, 2017	ESG NOFA and Application for the CoC Allocation released.
September 1, 2017	Application deadline. **HCD will not grant any extensions.**
November/December 2017	HCD announces AE Awards.
January/February 2017	HCD issues Standard Agreements with CoC Allocations to AEs.

Questions regarding the ESG NOFA and Application process can be directed to:

Janette Schaake, HCD NOFA Representative
(916) 263-2331 or Janette.schaake@hcd.ca.gov

VII. 2017 ESTIMATED ESG CONTINUUM OF CARE ALLOCATIONS

CoC Name	CA ESG Allocation Without Admin	CA ESG Admin (5%)	Federal ESG Admin (2.67%)	Federal ESG Allocation Without Admin	Total 2017 ESG Distribution
Bakersfield/Kern County CoC	**$ 247,996**	$ 13,052	$ 7,195	$ 278,379	**$ 546,622.00**
Daly/San Mateo County CoC	**$ 139,550**	$ 7,345	$ 5,313	$ 205,570	**$ 357,778.00**
Fresno/Madera County CoC	**$ 316,822**	$ 16,675	$ 7,685	$ 297,346	**$ 638,528.00**
Glendale CoC	**$ 149,528**	$ 7,870			**$ 157,398.00**
Long Beach CoC	**$ 273,074**	$ 14,372			**$ 287,446.00**
Los Angeles City & County CoC	**$ 997,500**	$ 52,500	$ 30,716	$ 1,188,472	**$ 2,269,188.00**
Oakland/Alameda County CoC	**$ 319,084**	$ 16,794	$ 8,628	$ 333,808	**$ 678,314.00**
Oxnard/San Buenaventura/Ventura County CoC	**$ 158,497**	$ 8,342	$ 4,508	$ 174,413	**$ 345,760.00**
Pasadena CoC	**$ 142,701**	$ 7,511			**$ 150,212.00**
Richmond/Contra Costa County CoC	**$ 191,330**	$ 10,070	$ 7,958	$ 307,890	**$ 517,248.00**
Riverside City county CoC	**$ 287,314**	$ 15,122	$ 8,692	$ 336,293	**$ 647,421.00**
Sacramento City & County and Vallejo/Solano County Co CoC	**$ 457,606**	$ 24,085	$ 5,442	$ 483,213	**$ 970,346.00**
Salinas/Monterey, San Benito Counties CoC	**$ 219,145**	$ 11,534	$ 8,265	$ 319,768	**$ 558,712.00**
San Bernardino City & County CoC	**$ 312,312**	$ 16,437	$ 8,400	$ 325,019	**$ 662,168.00**
San Diego City and County CoC	**$ 545,392**	$ 28,705	$ 12,922	$ 499,969	**$ 1,086,988.00**
San Francisco CoC	**$ 361,080**	$ 19,004			**$ 380,084.00**
San Jose/Santa Clara City & County CoC	**$ 341,991**	$ 18,000	$ 10,870	$ 420,588	**$ 791,449.00**
San Luis Obispo County CoC	**$ 167,225**	$ 8,801	$ 3,131	$ 121,138	**$ 300,295.00**
Santa Ana/Anaheim/Orange County CoC	**$ 403,237**	$ 21,223	$ 16,617	$ 642,938	**$ 1,084,015.00**
Santa Maria/Santa Barbara County CoC	**$ 194,757**	$ 10,250	$ 9,342	$ 361,453	**$ 575,802.00**
Santa Rosa/Petaluma/Sonoma County CoC	**$ 195,583**	$ 10,294	$ 6,726	$ 260,249	**$ 472,852.00**
Stockton/San Joaquin County CoC	**$ 226,832**	$ 11,939	$ 5,566	$ 215,356	**$ 459,693.00**
Turlock/Modesto/Stanislaus County CoC	**$ 221,899**	$ 11,679	$ 8,021	$ 310,346	**$ 551,945.00**
	$ 6,870,455	**$ 361,604**	**$ 175,997**	**$ 7,082,208**	**$ 14,490,264.00**

Sacramento City & County and Vallejo/Solano County CoCs are partnering for State ESG funds, and must administer 100 percent of the available ESG funds for RR activities.