

No Place Like Home Program (NPLH) Program Guidelines Public Comment Draft



California Department of Housing and Community Development

May 2017



- Technical Assistance NOFA / Application on [NPLH website](#) due September 30, 2017
- Program Guidelines Public Comments due by May 30, 2017 to NPLH@hcd.ca.gov
- Subscribe to the [ListServ](#) for future updates



Timeline

Initial Research, Stakeholder Outreach, Advisory Committee Recruitment	Fall 2016
Release of Framework Paper / Start Public Comment Period	Winter 2016
Advisory Committee Meeting Begin	Spring 2017
Development of Guidelines	Spring 2017
Completion of Guidelines	Summer 2017
Release of Notice of Funding Availability	Summer 2018*
* Subject to completion of the validation process	



Overview

- **Article I**
 - Definitions
 - Formula and Funding Allocations
- **Article II**
 - Non-competitive and Competitive Program Allocations Administered by the Department
- **Article III**
 - Non-competitive and Competitive Program Allocations Administered by the Alternative Process Counties
- **Article IV**
 - Non-competitive Program Allocations Administered by Counties for Shared Housing



Overview

- Will discuss basic requirements of Articles I, II, III, and IV
- Separate meeting will also be held on Article III with the four counties currently eligible to apply to be Alternative Process Counties.
 - 5% or more of State's homeless population
 - LA, San Diego, San Francisco, Santa Clara

Article I: Key Definitions





Key Definitions

Target Population:

Persons who are Homeless, Chronically Homeless, or At Risk of Chronic Homelessness who are:

- An adult or older adult with a Serious Mental Disorder, or
 - Seriously Emotionally Disturbed Children or Adolescents
-
- Includes persons with co-occurring mental and physical disabilities or co-occurring mental and substance use disorders.

Transition-Aged Youth:

Unaccompanied youth under age 25, including youth with children.



Key Definitions

At-Risk of Chronic Homelessness:

An adult or older adult with a Serious Mental Disorder or Seriously Emotionally Disturbed Children or Adolescents who meet one or more of the criteria below:

- Persons exiting institutionalized settings who were homeless prior to admission; or
- Transition-aged youth experiencing homelessness or with significant barriers to housing stability, including one or more evictions or episodes of homelessness, and a history of foster care or involvement with the juvenile justice system; or
- Persons, (including transition-aged youth), who were homeless prior to entering an institution, and will be homeless unless they can access the NPLH-assisted housing.



Key Definitions

At-Risk of Chronic Homelessness (cont.)

Covered institutions:

- state hospital
- hospital behavioral health unit
- hospital emergency room
- institute for mental disease
- psychiatric health facility
- mental health rehabilitation center
- skilled nursing facility
- developmental center
- residential treatment program
- residential care facility
- community crisis centers
- prison, parole, jail or juvenile detention facility, or
- foster care



Key Definitions

At-Risk of Chronic Homelessness (cont.)

- Length of stay in institution **does not matter.**
- Homeless status includes persons exiting to shelter, transitional housing, interim bridge housing, hotels, motels, as well as places mentioned in HUD Homeless definition.



Key Definitions

County:

- All 58 counties
- Includes all localities receiving a direct allocation of MHSA funds under the Bronzan-McCorquodale Act
 - City of Berkeley and Tri-Cities (Pomona, Claremont and La Verne)



Key Definitions

Housing First:

- Housing First (WIC Section 8255)
- Core Components (partial list)
 - Accept and retain tenants regardless of sobriety, use of substances, participation in services, poor credit, lack of financial or rental history, or criminal convictions unrelated to tenancy.
 - Tenant-driven supportive service plans that emphasize engagement and problem-solving over therapeutic goals.
 - Use of Coordinated Entry



Key Definitions

Permanent Supportive Housing or Supportive Housing:

- Housing with no limit on length of stay, that is occupied by the Target Population, and linked to on-site or off-site services that assist the supportive housing resident in retaining housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.
- Excluding any:
 - “Health facility” (H&S Code Section 1250)
 - “Alcoholism or drug abuse recovery or treatment facility” (H&S Code Section 11834.)
 - “Community care facilities” (H&S Code Section 1502)
 - “Mental health rehabilitation centers” (WIC Section 5675)



Key Definitions

Shared Housing:

Supportive Housing that is:

- 1-4 unit properties (Single-family homes, condominiums, half-plexes, duplexes, tri-plexes and four-plexes).
- Minimum of 2 bedrooms per unit
- Shared by two or more households (HH) per unit where at least one member of each household qualifies as a NPLH-eligible tenant.
- Single family home must have minimum 2 HH; duplex 4 HH; triplex 6 HH, four-plex 8 HH.
- Each 1-4 unit property is considered a separate project
- Same exclusions as previous slide



Key Definitions

Rental Housing Development:

Supportive Housing that is:

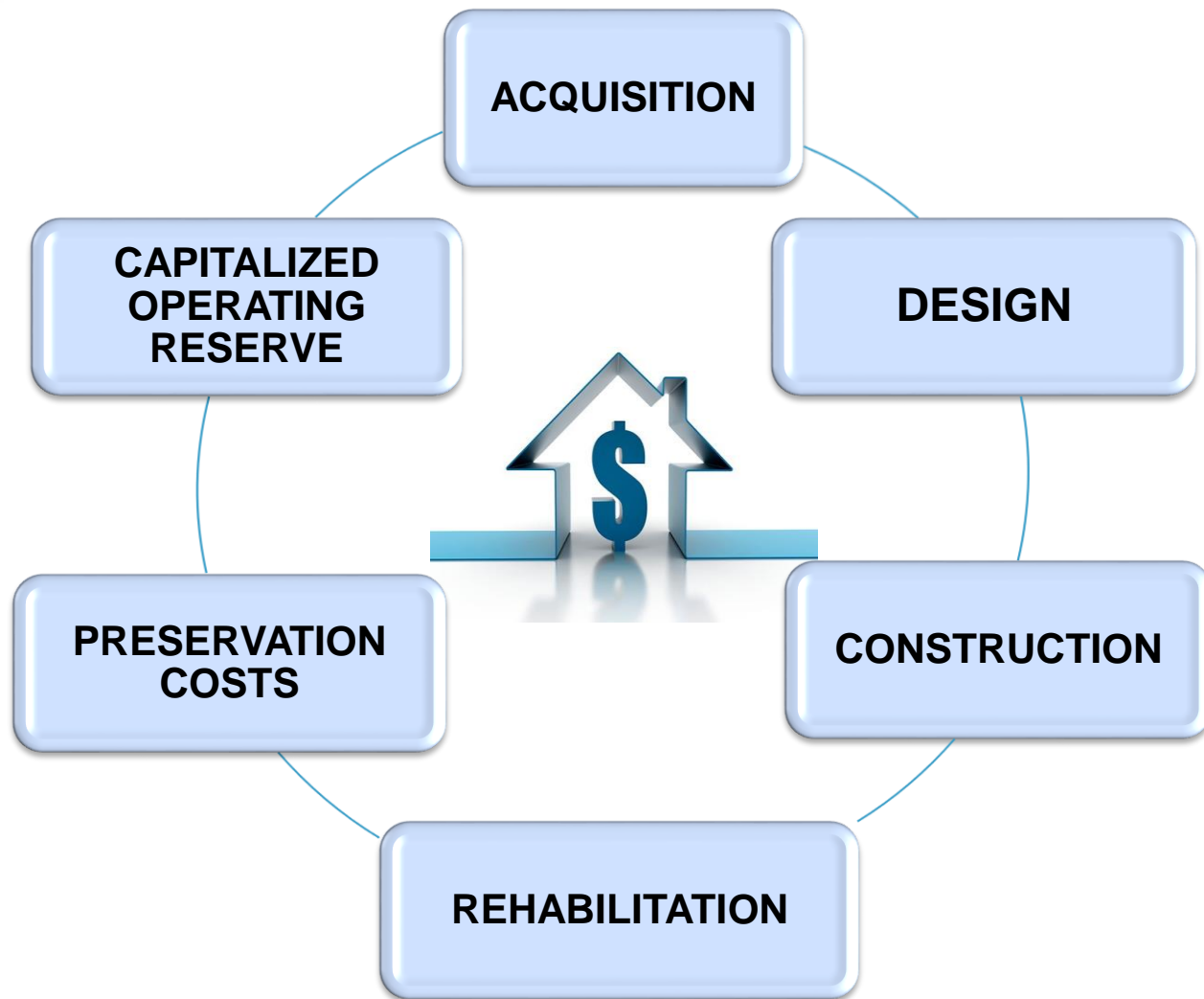
- One or more multi-family structures collectively containing five or more units
- Common financing, ownership, and management, (and reporting)
- “Apartment building”
- Includes scattered site housing

Article II: Non-Competitive and Competitive Funds





Eligible Uses





Ineligible Uses

NPLH funds shall be used to finance capital costs of Assisted Units in Rental Housing Developments listed in 25 CCR 7304 (b) except:

- Development costs of a residential unit reserved for childcare facilities, after-school care and social service facilities.
- Off-site improvements (e.g. sewers, utilities, streets). Utility connections to project are eligible (e.g. sewer connection from sidewalk to housing).
- Costs for design features not consistent with use of sustainable or durable materials appropriate for similar permanent supportive housing projects.



Loan Terms

- NPLH Projects of 5+ units: underwriting, loan servicing and monitoring by the Department.
- Permanent Financing Only
 - Must find other Construction Period financing
- Initial loan term of 55 years; extensions may be permitted to maintain project affordability.
- Principal and interest deferred until end of loan term.
- 0.42% (of 1%) annual monitoring fee on capital (non-Capitalized Operating Subsidy Reserve) portion of loan.



Maximum Loan Amounts (Subject to HCD Underwriting)

Capital Portion

- Initial “Base Amount” at 30% of 30% AMI
 - \$100,000 per unit with 9% tax credits
 - \$175,000 per unit all other projects
- Amount per unit increases based on county Fair Market Rent (FMR), number of bedrooms per unit, and lower income levels targeted.
- Beginning in 2018, base amounts will increase annually with CPI increases.



Maximum Loan Amounts (Subject to HCD Underwriting) (cont.)

COSR Portion

- 9% tax credit projects – no more than 100% of capital portion of loan
- All other projects – no more than \$175,000 per unit
 - Beginning in 2018, \$175,000 per unit limit may increase annually with CPI increases.
- Capital Portion plus COSR portion cannot exceed \$20 million for the first funding round. Department will increase with CPI increases.



Maximum Loan Amounts (Subject to HCD Underwriting)

Project A – in Riverside County

NPLH Units	20 Studio units
Target	15% AMI
Tax Credits	4%
Loan Limits	\$199,200 per unit
COSR	\$175,000 per unit

Maximum Capital Request \$3,984,000*

Maximum COSR Request \$3,500,000*

Total Loan Amount: \$ 7,484,000*

* Maximum loan amounts are determined on a project-by project basis after a complete project underwriting.



Maximum Loan Amounts (Subject to HCD Underwriting)

Project B – in Shasta County

NPLH Units	15 - One BDRM Units
Target	15% AMI
Tax Credits	9%
Loan Limits	\$123,912
COSR	100% of Capital Portion

Maximum Capital Request \$1,858,680*

Maximum COSR Request \$1,858,680*

Total Loan Amount: \$ 3,717,360*

* Maximum loan amounts are determined on a project-by project basis after a complete project underwriting.



Additional COSR Underwriting Assumptions

- In projects greater than 20 units, NPLH will assist no more than 49 percent of total project units.
- 7% vacancy rate for NPLH units.
- 30% of NPLH units shall be receiving project-based rental or operating subsidy sufficient to cover the operating costs for those units.
- 40% of NPLH households shall be receiving SSI/SSP within 36 months of initial occupancy.
 - Applicant must document efforts to try to secure other rental or operating assistance in lieu of using a COSR.

Threshold Requirements for Non-Competitive Allocation





Threshold Requirements for Non-Competitive Allocations

- The initial NOFA must be issued within 150 days of completion of the court validation process.
- Available Non-competitive Allocation funds must be awarded by HCD within 18 months of the release of the Department's initial NOFA.
- Uncommitted/unexpended funds will be used in the Competitive Allocation.
- Each county is eligible to receive a proportionate share of funds, provided it meets program requirements.



Critical Timeframes: Non-competitive Allocation

Release of initial NOFA			
Within 12 months	Within 18 months	Within 30 months	Within 60 months
<ul style="list-style-type: none"> • County to submit Resolution committing to submit proposed project application(s) by specified 30-months deadline. • County to submit certification that project(s) will meet program requirements. • County to submit County Homelessness Plan. 	<ul style="list-style-type: none"> • HCD will award funds to Counties. 	<ul style="list-style-type: none"> • County to submit application(s) to HCD meeting Program requirements. 	<ul style="list-style-type: none"> • County to expend Non-Competitive Allocation Funds.



County Plan to Combat Homelessness

- County plan that specifies goals, strategies and activities both in process or to be initiated to reduce homelessness and make it non-recurring.
- Required content in Section 201
- Developed with community input
- Easily accessible to the public
- Within 5 years from time of County's application
- Continuum of Care Plans, Mental Health Services Act expenditure plans, or other existing plans that meet these requirements are acceptable.

Project Threshold for Competitive and Non-competitive Funds





Project Threshold Requirements

- County is the Eligible applicant:
 - Sole applicant if it is the Development Sponsor
 - Jointly with another entity as Development Sponsor
 - County will sign the Standard Agreement
 - Development Sponsor will sign the Loan Docs
 - Two or more Counties may apply together as joint applicants if there is a commitment to collaborate in the provision or coordination of supportive services or other resources to the project, and if NPLH tenants from each of the applicant counties are expected to reside in the project.



Project Threshold Requirements (*cont.*)

- **Eligible Use of Funds** (covered earlier)

- **Development Team Experience:**
 - Counties with population of 200,000 or greater:
 - Development, ownership, or operation of Permanent Supportive Housing; or

 - At least 2 affordable rental housing projects in the last 10 years with a minimum of 1 unit housing a tenant who could qualify as a member of the Target Population.

 - Lead Service Provider and Property Manager - minimum 3 years each serving Target Population
 - If Service Provider experience not provided in PSH, it must be related to addressing housing barriers/housing retention



Project Threshold Requirements (*cont.*)

- Counties with population of less than 200,000:
 - Same as previous slide or
 - Minimum experience requirements for service provider and property manager can be documented by relying on experience with other special needs population (s) with barriers similar to the Target Population, such as difficulty retaining housing, and mental health or substance abuse issues.
- **Financial Feasibility**
 - Pursuant to UMRs, except as otherwise noted in Guidelines
- **Site Control** – in name of Sponsor
 - UMR 8303 (e.g. fee title, leasehold, DDA, purchase option, land sales contract, an agreement for exclusive right to negotiate for property acquisition).



Project Threshold Requirements (*cont.*)

- **Integration**
 - In projects greater than 20 units, will fund no more than 49% of project units.
 - Integration of NPLH units/tenants with other project units/tenants.
 - Encouraging social interaction through community building activities, architectural design features.
 - No restrictions on guests different from that of unsubsidized rental housing in the community.



Project Threshold Requirements (*cont.*)

- **Article XXXIV**
 - All applications need legal opinion letter documenting compliance with Article XXXIV.
- **Environmental Conditions**
 - Project is free from severe adverse environmental problems that cannot be feasibly mitigated or removed.
- **Code Requirements**
 - On permanent foundation, will meets minimum square footage requirements & other applicable local codes.



Project Threshold Requirements (*cont.*)

- **Relocation Requirements**
 - If tenant displacement occurs as a result of the funded activity.
- **Amenities**
 - Site is reasonably accessible to public transportation, shopping, medical services, recreation, schools, and employment in relation to the needs of the project tenants and what is typically available in that County.



Project Threshold Requirements (*cont.*)

- **Applications must contain:**
 - County Resolution to, for a minimum of 20 years, make available mental health supportive services and coordinate the provision or referral to other services including but not limited to, substance use services.
 - Initial plan for providing supportive services based on the anticipated needs of the Target Population.
 - Property management plan meeting Housing First Requirements.
 - If not already submitted, the County's Plan to Combat Homelessness (discussed earlier).

Supportive Services





Supportive Services

- Participation in supportive services is voluntary. Access to, or continued occupancy in, housing cannot be conditioned on participation in services or on sobriety.
- Each application must include a project-specific supportive services plan developed by the County in partnership with the project developer, supportive service providers, and the property manager.
- Plan must describe the services to be offered/made available to NPLH tenants in a manner that is voluntary, flexible and individualized.



Supportive Services (cont.)

Services Required to be Made Available:

- Available services shall be provided directly by the County, or the County shall coordinate the provision of or linkage to these services as needed.
- All services may be provided on or off-site at a location easily accessible to tenants:
 - Case management;
 - Peer support services;
 - Mental health care, such as assessment, crisis counseling, individual and group therapy, and peer support groups;



Supportive Services (cont.)

- Substance use services, such as treatment, relapse prevention, and peer support groups;
- Support in accessing physical health care, routine and preventive health and dental care, medication management, wellness services; Benefits counseling and advocacy, including assistance in accessing SSI/SSP, enrolling in Medi-Cal, and obtaining other needed services;
- Housing retention skills (such as unit maintenance and upkeep, cooking, laundry, and money management);



Supportive Services (cont.)

Services Encouraged to be Made Available

- Services for persons with co-occurring mental and physical disabilities or co-occurring mental and substance use disorders not listed above
- Recreational and social activities
- Transportation planning and assistance to off-site services
- Educational services
- Employment services



Supportive Services (cont.)

Service Plan Requirements must include a description of:

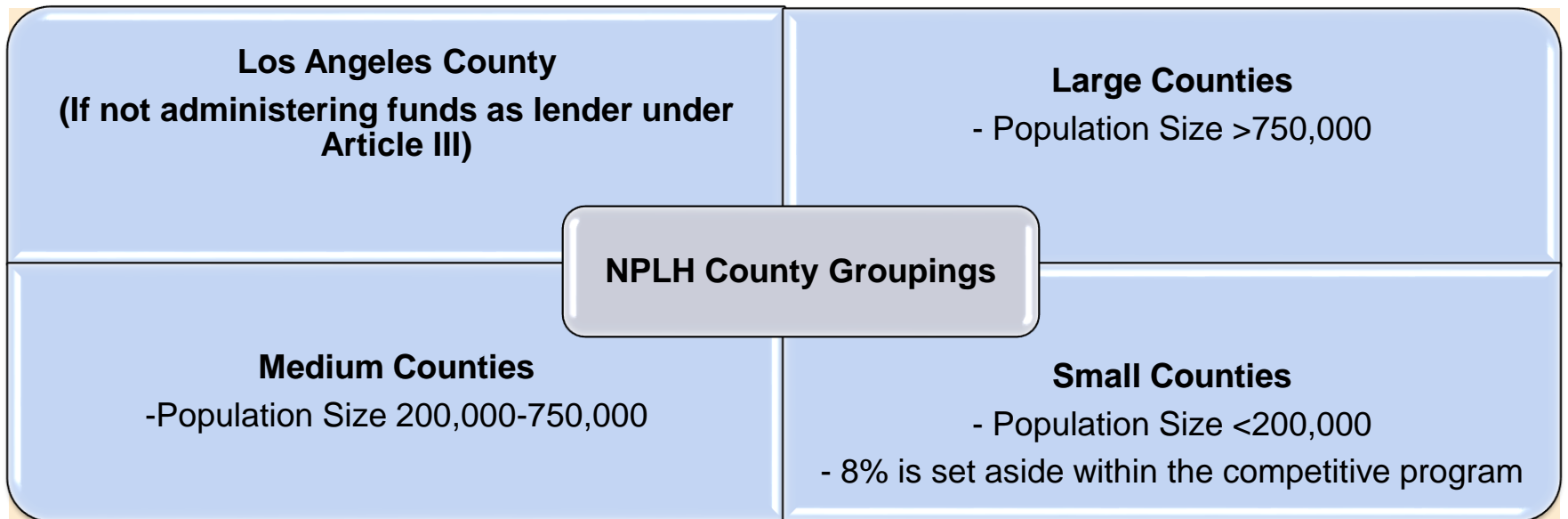
- Target Population to be served, and any additional subpopulation targeting.
- Tenant outreach, engagement, and retention strategies to be used.
- Services offered; anticipated frequency; service providers.
- Means for addressing communication barriers, cultural competency.
- Coordination with property manager around eviction prevention, harm reduction practices and reasonable accommodations.

Competitive Rating Criteria





Competitive County Grouping





Application Process

- **Competitive Allocation**

- The Department will be scoring applications within each County population group if demand within that group exceeds the amount made available to that group by formula in the particular funding round.
- Applications with the highest score will then be evaluated for compliance of threshold requirements.
- Within each population group, the applications with the highest number of points shall be selected for funding if all threshold requirements are met.

- **Tie-breaker:**

- 1) Greatest number of NPLH units restricted to Chronically Homeless
- 2) Readiness score (if needed)



Competitive Rating Criteria

Total available points – 200

- 1. Percentage of Total Project Units Restricted to the Target Population (70 pts max)**
- 2. Leverage of Development Funding (30 pts max)**
- 3. Leverage of Rental, Operating Subsidies (35 pts max)**
- 4. Readiness to Proceed (40 pts max)**
- 5. Extent of On-Site and Off-Site Supportive Services (20 pts max)**
- 6. Past History of Evidence Based Practices (5 pts max)**
- 7. Bronzan-McCorquodale (5 pts max)**



Competitive Rating Criteria (cont.)

1. Percentage of Total Project Units Restricted to the Target Population (70 pts max)

- a. Up to 30 points for restricting up to 30% of a project's units as NPLH units

Percentage of Projects Units that are NPLH Units	Point Score
5 -10 percent	5
10.1-15 percent	10
15.1 - 20 percent	15
20.1 - 25 percent	20
25.1-29 percent	25
30 percent and above	30

- b. 40 points for use of a Coordinated Entry System

- If a separate system must be used for those At-Risk of Chronic Homeless:
 - Min of 40% Chronically Homeless, and
 - Max of 30% At-Risk of Chronic Homeless



Competitive Rating Criteria (cont.)

2. Leverage of Development Funding (30 pts)

Ratio of permanent development funding attributable to NPLH Assisted Units to the requested Program loan amount.

- Land donations can be counted if value established by a current appraisal and any required lease payment is nominal.
- NPLH Non-competitive Allocation funds to be used for the proposed project will be counted.
- 9% tax credit projects will be expected to have more leverage
 - 9% - full points for leverage up to 250% of Project Loan
 - 4% - full points for leverage up to 150% of Project Loan



Competitive Rating Criteria (cont.)

3. Leverage of Rental or Operating Subsidies for NPLH units (35 pts max)

1.75 points will be awarded for each 5% increment, up to 100% for a maximum of 35 points.

- Non-HCD project-based or sponsor-based rental assistance with terms similar to typical federal rental assistance programs.
- Other long-term local operating commitments such as funding a supplemental COSR.



Competitive Rating Criteria (cont.)

4. Readiness to Proceed (40 pts max)

- Construction financing committed
 - Tax credits not counted
 - Other HCD funds must be awarded prior to finalizing NPLH preliminary point scoring
- NEPA, CEQA, and Phase I/II completed
- Obtaining needed local approvals, (except building permits, ministerial approvals)
- 100% non-NPLH Permanent financing committed



Competitive Rating Criteria (cont.)

5. Extent of On-Site and Off-Site Supportive Services (20 pts max)

- On-site case management (5 points)
- Implementing evidence-based practices (5 points) such as:
 - Critical time intervention
 - Trauma-informed care
 - Motivational interviewing,
 - Cognitive-behavioral therapy
 - Other HUD, DHCS, or SAMHSA-recognized practices



Competitive Rating Criteria (cont.)

Extent of On-Site and Off-Site Supportive Services (cont.)

- Services offered at County discretion (8 pts. max; 2 pts per category)
 - Services not required to be offered for persons with co-occurring mental and physical disabilities or co-occurring mental and substance use disorders.
 - Transportation planning and assistance
 - Recreational and Social activities
 - Educational services
 - Employment services



Competitive Rating Criteria (cont.)

Extent of On-Site and Off-Site Supportive Services (cont.)

- Resident involvement (2 pts)
 - Strategies such as:
 - Involvement in community building or services planning, operations
 - Tenant satisfaction surveys to inform and improve services provision, building operations and property management



Competitive Rating Criteria (cont.)

6. Past History of Evidence Based Practices (5 pts max)

- County, developer, lead service provider, or property manager can document experience with implementing evidence-based best practices that have led to a reduction of the number of Chronic Homeless or At Risk of Chronic Homelessness within the Target Population.
- Similar experience with evidence-based practices for other special needs populations will count if this experience can be shown to be relevant to serving the Target Population.



Competitive Rating Criteria (cont.)

7. Bronzan-McCorquodale (5 pts max)

- Projects located in cities that are receiving their own direct allocation of MHSA funds under the Bronzan-McCorquodale programs may receive five additional points if their NPLH application was submitted through the County in which that city resides rather than by the city itself within the city's population group.

Rent Limits and Underwriting Standards





Rent Limits

- All NPLH units shall be restricted to 30% AMI or below.
- Tenant incomes may increase over time. If household income increases above 30% AMI, another unit must be designated as an NPLH unit.
- Transition Reserve is required and should be sized sufficiently that if rental assistance to the project is lost:
 - Renewable project-based rental assistance: project shall have a transition reserve sufficient to prevent rent increases, (other than regular permitted annual increase), for at least one year following loss of that rental assistance.
 - Non-renewable project-based rental assistance or operating assistance: minimum two years of funded transition reserve.



Underwriting Standards

- The Department shall follow the underwriting requirements of its Uniform Multifamily Regulations (UMRs) except that:
 - Residential vacancy rates for NPLH Assisted Units shall be assumed to be 7%, unless a lower figure is required by another funding source, or supported by compelling market evidence.
 - In addition to the other project operating reserves required by the UMRs, a Sponsor may establish a Capitalized Operating Subsidy Reserve (COSR) for the NPLH units meeting Guideline requirements.

Capitalized Operating Subsidy Reserve (COSR)





Capitalized Operating Subsidy Reserves (COSR)

- Intended to defray project operating deficits attributable to the NPLH-assisted units for a minimum of 20 years.
- The Department shall hold all project COSRs for its loans and disburse from each COSR annually for as long as it lasts based on a bifurcated project audit for the previous fiscal year that distinguishes actual annual income and expenses of the NPLH Assisted Units and the other project units.
- In the first year, the Department may base the amount of the COSR payment on the Department's most recent underwriting of the project.



Capitalized Operating Subsidy Reserves (COSR) (cont.)

- After an audit review, if the project did not need as much as for that fiscal year as it actually received, the payment for the upcoming will be reduced or the project will be required to return the excess to HCD for deposit to the project's COSR account.
- In general, payments from the COSR shall not exceed 5% per year (5% x 20 years =100%) except that the Department has discretion to disburse up to 10% in a given year.



Ineligible COSR Costs

Expenses that will not be paid from the COSR include:

- Costs associated with non-NPLH units;
- Any loan payments. The Department's 0.42 percent annual monitoring fee (which will be charged only on the capital portion of the loan) may be paid from the COSR;
- Ground lease payments;



Ineligible COSR Costs (*cont.*)

- Sponsor distributions;
- Deposits to reserves beyond those required by HCD under the UMRs, including reserves required by other project financing sources;
- Vacancy loss beyond three months for a tenant who has left the unit;
- Supportive services costs not permitted as part of the project budget under the UMRs;



Ineligible COSR Costs (*cont.*)

- Asset management (AM) fees, partnership management (PM) fees and deferred developer fees that can be paid for out of cash flow from the non-NPLH units.
- If can't be paid out of non-NPLH cash flow, only allowed from COSR if:
 - All other eligible Operating Expenses have been paid and
 - The total amount of the COSR payment for that year does not exceed the 5% annual cap
- Fees not paid in accordance with the above requirements cannot be paid from the COSR.

Tenant Selection and Other State Requirements





Tenant Selection

- Tenants shall be selected through use of a Coordinated Entry System (CES) or other similar system for those At-Risk of Chronic Homelessness in accordance with the provisions of UMR Section 8305 and in compliance with Housing First requirements.
- The requirements of 8305 related to the tenant selection process and maintenance of waiting lists shall be implemented as approved by the Department in a manner that is consistent with the requirements of the CES.



Other State Requirements: Accessibility and Prevailing Wage

- Multifamily projects of 5+ units must meet Tax Credit Allocation Committee (TCAC) accessibility requirements, and any other applicable federal, state, or local accessibility requirements.
- Applicants shall be responsible for determining applicability of State prevailing wage.
 - If applicable, prior to loan closing, the Development Sponsor shall provide a certification that prevailing wages have been paid or will be paid, with required record-keeping.

Reporting





Reporting

For HCD loans:

- **Within 90 days** after the end of each project's fiscal year, the Sponsor shall submit a **project audit** meeting HCD's current audit requirements.
- Sponsors will be required to submit **annual compliance reports** similar to reports under the Multifamily Housing Program.



Reporting (cont.)

County shall submit annual outcome measurement data required under Section 218 (e) for each of its NPLH Assisted Units.

- Work with property manager and lead service provider to collect
- Use of HMIS suggested, but not required
- Submit electronically no later than September 30th of each year for the previous state fiscal year of activity (July 1-June 30)
- Reporting form designed to provide drop-down menu of answer options consistent with HMIS data standards, or require numerical answer only
- Data on health outcomes requiring coordination with County health system or Corrections not required. Submit only if readily available

Articles III and IV: Loans Administered by Counties





Loans Administered by Counties

Alternative Process Counties

- 5% or more of the State's Homeless population
- Currently LA, San Diego, San Francisco, and Santa Clara
- Any Housing Type

Shared Housing with Noncompetitive Allocation

- Open to all counties



Loans Administered by Counties (*cont.*)

- “Shared Housing” means a 1-4-unit structure providing Supportive Housing shared by two or more households per unit where at least one member of each household qualifies as a NPLH-eligible tenant.
- Single-family homes, condominiums, half-plexes, duplexes, tri-plexes and four-plexes will qualify as a Shared Housing development provided that they have a minimum of two bedrooms per unit.
- AP counties may do 1-4 unit Shared Housing projects or multifamily projects of 5 or more units.



Loans Administered by Counties (*cont.*)

Solicitation of Interest

- Issued a minimum of 90 days prior to the Issuance of the Department's NOFA.
- Alternative program county designation valid for two years unless revoked or relinquished.
- Shared Housing Designation valid unless revoked or relinquished.



Loans Administered by Counties (*cont.*)

County Responsibilities

- Project underwriting using County's own underwriting standards
- Monitoring of all construction/rehabilitation work performed
- Loan Servicing (loan terms discussed later)
- Supportive service provision and/or coordination as discussed previously
- Long-term monitoring for **minimum of 20 years for Shared Housing projects in the Noncompetitive allocation and 55 years or longer for Alternative Process Counties doing other rental project loans**
 - Compliance with rent and income restrictions, physical inspections, compliance with other NPLH requirements



Loans Administered by Counties (cont.)

AP County

- Annual allocation by the Department based on anticipated demand.
- Annual allocation must be committed by County to projects **within 24 months**. (Statutory)

Shared Housing Counties

- Department awards Noncompetitive allocation funds **within 18 months** of Department's initial NOFA. (Statutory)
- Project applications submitted to the County **within 30 months** of the Department's initial NOFA.
- Funds must be expended **within 60 months** of Department's initial NOFA. Extensions granted with good cause.



Loans Administered by Counties

Alternative Process County Capacity Evaluation

County, or a subcontractor to administer funds county-wide on its behalf:

- Administration of 1 multifamily rental housing program in the past 5 years; 4 loans per year including 1 PSH loan.
- Past history of PHAs committing project-based vouchers or locally funded rental assistance program to a homeless or other special needs projects in the last two years. Commitments from City PHAs also counted.
- Past performance of delivering supportive services for the NPLH Target Population.
- Description of how the CES will prioritize the most vulnerable within the Target Population for available NPLH units.



Loans Administered by Counties (*cont.*)

Alternative Process County Capacity Evaluation (cont.)

- Commitment of mental health services and coordination or referral of other supportive services to NPLH tenants for a **minimum of 20 years**.
- Demonstrate measures that promote integration of the Target population into the community.
 - Can assist **more than 49% of project units**, subject to County counsel determination, but must demonstrate how requirements of the Olmstead Decision will be met.
- Process in place to ensure fair housing and non-discrimination requirements are met.



Loans Administered by Counties (*cont.*)

Alternative Process County Capacity Evaluation (cont.)

- Method of Distribution and Plan to Combat Homelessness meeting Guideline requirements.
- Department may impose restrictions on County's designation as an Alternative Process County based on experience level or proposed design.



Loans Administered by Counties (*cont.*)

Shared Housing County Capacity Evaluation

- Demonstrated ability to finance Shared Housing activities with local and federal funds, and monitor Program requirements for a **minimum of 20 years**.
- Systems currently in place that will be utilized in administering NPLH funds (i.e. underwriting, loan servicing, monitoring).
- Method of Distribution meeting Guideline requirements, including an estimate of how frequently awards will be made.



Loans Administered by Counties (*cont.*)

Shared Housing County Capacity Evaluation (cont.)

- Description of the project-based vouchers available to Assisted Units.
- Past performance of delivering supportive services to the Target Population, or other special needs populations that experience housing barriers similar to those of the Target Population.
- Description of how the County will prioritize the most vulnerable within the Target Population who are Homeless or At-Risk of Chronic Homelessness for available NPLH units.
- Plan to Combat Homelessness meeting Guideline requirements.



Loans Administered by Counties (*cont.*)

Shared Housing County Capacity Evaluation (cont.)

- Plan for implementing integration measures
 - Integration of project-site into the community;
 - Tenant interaction - encourage social interaction through community-building activities and architectural design.
- Can assist **more than 49%** of the units, subject to Article XXXIV requirements
 - Subject to County Counsel determination



Loans Administered by Counties (*cont.*)

Method of Distribution: (AP and Shared Housing)

Counties must evaluate:

- Eligible use of funds;
- Developer, service provider, and property manager capacity;
- Project financial feasibility for **minimum 20 years** (Shared Housing) and **minimum of 55 years** (Alternative Process County multifamily loans);
- Suitability of location for Target Population; proximity to transportation, services, and amenities;
- Environmental condition of site.



Loans Administered by Counties (*cont.*)

Method of Distribution (cont.)

- Compliance with state and local codes related to maintaining property in safe/sanitary condition:
 - Permanent foundation
 - Meet minimum square footage requirements
- Project readiness to proceed with proposed development activity;
- Scoring criteria, if necessary;
- Capital, operating subsidy, and supportive services leverage (AP county loans);
- Supportive Service Plan meets NPLH requirements;



Loans Administered by Counties (*cont.*)

Method of Distribution (cont.)

- Proposed integration measures;
- Property management practices meeting NPLH requirements;
- Article XXXIV compliance;
- Compliance with applicable prevailing wage, relocation, and accessibility requirements;
- Each tenant must sign a lease and have all the rights and responsibilities of tenancy including:
 - Bedroom door with workable lock
 - Choice of roommates



Loans Administered by Counties (*cont.*)

Method of Distribution (cont.)

- May provide acquisition, rehabilitation, construction-period and/or permanent financing.
- Up to 10% of allocation can be used for Admin.
- May change annual monitoring fee:
 - AP county must document basis for the amount of fee established. Fee must be reasonable and customary based on average actual monitoring costs
 - Shared housing monitoring fee cannot exceed .042 on each loan



Loans Administered by Counties (*cont.*)

Loan terms

- Deferred payment loan
- Minimum 20 years for Shared Housing projects
- Minimum 55 years for all other projects
- Loan may be zero percent interest rate.
 - Statute requires that any interest payment, loan repayments, or other return of funds must be returned to the Department for other NPLH uses.



Loans Administered by Counties (*cont.*)

County Underwriting Standards – County shall examine

- NPLH tenant eligibility, rent, and income restrictions;
- Reasonableness of projected development and operating expenses;
- Income and expense escalators;
- Vacancy rate assumptions;
- Debt coverage ratio, operating reserves, replacement reserves, budgeted development contingency;
- Limits on development costs, and use of operating cash flow;



Loans Administered by Counties (cont.)

County Underwriting Standards (cont.)

Max per-unit subsidy limit shall consider:

- Number of bedrooms per unit or other measures of unit size;
- Tenant affordability levels, with more affordable units provided more subsidy.

Other State Requirements

- Same outcome measures reporting requirements as Article II (Slide 70).
- County responsible for determining project compliance with State Prevailing wage, relocation requirements, and applicable building accessibility requirements.



Loans Administered by Counties (*cont.*)

COSR Requirements

- Address project operating deficits attributable to NPLH Assisted Units for **minimum of 20 yrs.**
- County shall underwrite, hold, and disburse from each COSR.
- Max of 100 percent of the per-bedroom NPLH amount for capital may be provided for a COSR.
- Project must first demonstrate (County to verify) that it sought out other funding sources of rental or operating assistance in lieu of a COSR.



Loans Administered by Counties (*cont.*)

COSR Requirements (cont.)

County underwriting standards for COSR shall consider:

- the maximum percentage of units assisted per project;
- anticipated project vacancy rates;
- anticipated percentage of NPLH units that will have other operating or rental subsidy;
- anticipated percentage receiving SSI/SSP or other sources of stable income; and
- operating expenses that the County will consider ineligible for payment from the COSR



Loans Administered by Counties (*cont.*)

Disbursement Process (Noncompetitive Allocation Shared Housing)

- Two draws per project:
 - Evidence of project award
 - Certification that County followed it's approved MOD
- First draw can be a 50% advance.
- Second draw at project completion / occupancy.
- Must submit **project completion report** showing that units are occupied by eligible tenants at permissible rent and income levels.
- Admin disbursed annually up front based on 10% of the amount awarded by the County that year.



Loans Administered by Counties (*cont.*)

Disbursement Process (AP Counties)

- Annual Allocation by Department based on anticipated demand
- Two draws per year to County with evidence of:
 - Project award letters or other evidence of commitment of funds;
 - Certification that awards were made in accordance with the approved Method of Distribution;
 - Cash flow analysis which indicates how much the County is projected to need for the specific period of time for which funds are being requested;



Loans Administered by Counties (*cont.*)

Disbursement Process (AP Counties) cont.

- Includes one draw for 10% County admin;
- Individual Project Completion Reports submitted with other annual outcome measures reporting data provided by the County.



Loans Administered by Counties (*cont.*)

Monitoring

- On-site inspections as needed during construction/rehab, at project completion, and at least once every three years during the term of the loan.
- Annual review of project operating budgets, audits or other certified financial statements.
- Annual review of supportive services plans and outcome measures for appropriateness and effectiveness.
- Department will monitor County as necessary to assess the existence and use of County processes in meeting NPLH requirements (process evaluation).



Loans Administered by Counties (*cont.*)

Default and Cancellations

- Department may revoke County designation for repeated violations of program requirements that can't be satisfactorily resolved.
- Prior to revocation, the Department will work with the County for at least 90 days to identify and implement a compliance plan.
- The County shall continue to carry out all of its administration responsibilities to projects it made awards to prior to revocation of its certification.



Loans Administered by Counties (*cont.*)

Default and Cancellations cont.

- Revocation/rescission of AP county designation **valid for 3 years** then county may choose to get recertified to administer any remaining allocation.
- Until then, the county can access funds through the Competitive Allocation.

**Submit Public Comments
on NPLH Guidelines by
May 30, 2017
to
NPLH@hcd.ca.gov**



California Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA. 95833