STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY EDMUND G. BROWN JR., *Governor*

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE
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July 10, 2018

MEMORANDUM FOR: **All Potential Applicants**

FROM: Nicole McCay, Section Chief, NOFA Unit
Division of Financial Assistance

SUBJECT: **AMENDMENT #1 FOR THE 2018 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 8, 2018, the Department of Housing and Community Development (Department) announced the availability of an estimated $6 million in federal funds for the Emergency Solutions Grant (ESG) Program. The Department is updating the NOFA to reflect the change in the cap on Rapid Rehousing activities. Due to the following change, the application due date is being extended to **Friday, September 7, 2018 by 5:00 p.m. Pacific Standard Time.**

The Department announces the following update:

- Page 7 - Minimum and Maximum Percentage of an Allocation for Rapid Rehousing (RR) - AEs must award a minimum of 40 percent of their available ESG funds to RR. There are no limitations on the maximum percentage of their allocation that can be used for RR.

This change has been incorporated into the ESG CoC NOFA at this time. The ESG application and federal guidelines are posted on the ESG website. To receive ESG Program, Homelessness Prevention Programs, notices on the workshops, and other program information and updates, please subscribe to the ESG listserv.

If you have any questions please contact 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.

Attachment

Federal Emergency Solutions Grants Program

Continuum of Care Allocation

2018 Notice of Funding Availability

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

Emergency Solutions Grants Program
Division of Financial Assistance
Department of Housing and Community Development
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ESG Program Email: ESG@hcd.ca.gov

July 2018

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I. Overview

A. Notice of Funding Availability (NOFA)

The Department of Housing and Community Development (HCD) receives funding from the United States Department of Housing and Urban Development (HUD) for the Emergency Solutions Grants (ESG) Program, and allocates funds to eligible Continuum of Care (CoC) service areas. Approximately $6 million in new federal funds, as well as additional disencumbered funds that may become available later this year, will be allocated to eligible CoC service areas listed in Appendix A.

The ESG Program provides funding for the following objectives:
1. Engage homeless individuals and families living on the street;
2. Improve the quality of emergency shelters (ES) for homeless individuals and families by helping to operate these shelters and by providing essential services to shelter residents;
3. Rapidly re-house homeless individuals and families; and
4. Prevent families/individuals from becoming homeless.

ESG funds are distributed in two separate funding pools:
1. The CoC allocation, and
2. The Balance of State allocation.

This NOFA outlines application requirements and timelines for approved units of general-purpose local government[1], known as administrative entities (AEs), in the CoC allocation (see the following authorizing legislation section for the applicable program regulations). 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 AEs approved to administer available ESG funding.

All references to the “state” are references to the State of California. All references to ESG funding hereafter reference federal ESG funds administered by HCD, unless otherwise noted.

B. Tentative program timeline

June 8, 2018	ESG NOFA and application for the CoC allocation released
June 20, 2018	ESG application and NOFA webinar
September 7, 2018	Application deadline
October/November 2018	HCD announces AE awards

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

II. What is new in the NOFA

For 2018, HCD will disperse only federal ESG funds through this NOFA.

III. Authorizing legislation

Funding under this NOFA is made available pursuant to Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act, 42 U.S.C. 11371 et seq. This NOFA should be read in conjunction with the following regulations that establish state and federal ESG requirements. Relevant legal authority includes, but is not limited to, the following:

- 24 CFR Part 576, (federal ESG regulations);
- California Code of Regulations, Title 25, Subchapter 20, Sections 8400-8417 (state ESG regulations);
- 24 CFR Part 91 relating to Annual Plan requirements;
- 24 CFR Part 58, relating to environmental reviews;

Office of Management and Budget (OMB) requirements for Universal Identifier and Central Contractor Registration, 2 CFR Part 25, Appendix A to Part 25, Award Term, and Homeless Definition Final Rule: The Interim Rule, cited above, published in the Federal Register on December 5, 2011, provides the homeless definition that applies to the ESG Program.

If state or federal 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 state and federal regulations, the federal regulations 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. Awards made under this NOFA are also contingent upon HCD receiving an award letter from HUD for 2018 and earlier years' disencumbered funds.

IV. Program requirements

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 8403.

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

- Is a fair and open competition that avoids conflicts of interest
- Follows procurement requirements of 2 CFR Part 200;
- Evaluates provider capacity and experience, including the ability to deliver services in non-entitlement areas
- Evaluates eligibility and quality of services, including adherence to Core Practices pursuant to 25 CCR 8409
- Utilizes data and considers community input to identify unmet needs
- Prioritizes activities that address the highest unmet need, considering other available funding and system wide performance measures
- Considers project-level performance measures when evaluating proposals
- Collaborates with the local CoC

Note**:** 25 CCR 8408 prohibits subpopulation targeting with ESG funds in Homelessness Prevention (HP) and Rapid Re-Housing (RR) Programs, except if documentation of ***both*** of the following is provided to HCD 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.

V. State Annual Action Plan requirements relative to ESG

The following requirements relevant to the AE activities are in HCD's Annual Action Plan, as required by HUD and pursuant to 24 CFR Part 91.

A. Amounts available for administrative activities

Of the allocation available to each AE, approximately 2.6 percent of federal ESG funds[2] may be used to pay for direct administrative costs. For the estimated administrative amounts, see Appendix A.

B. Eligible costs

Grantees and their recommended sub grantees must follow all OMB Cost Principles and General Acceptable Accounting Principles. OMB and budget requirements are listed in 2 CFR Part 200. Costs charged to the ESG must be *allowable*, *allocable,* and *reasonable*. Shifting costs between awards to overcome funding deficiencies is **not** allowed.

Allowable costs must conform to any limitations or exclusion set forth in the federal cost principles and the ESG award. Allowable costs must comply with the policies and procedures afforded all activities within the grantee or sub grantee organization and be treated consistently (whether as a direct or indirect cost). Finally, allowable costs must

[2] 25 CCR 8402 (a)

comply with the Generally Acceptable Accounting Principles and the costs must be adequately documented.

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

Reasonable costs do not exceed in nature or amount of costs that 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 sub grantees 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 calculations, indirect cost limits, and supporting documentation for actual direct cost billing.

C. Minimum and maximum grant limits

Where there is an approved AE, the AE will be responsible for setting any minimum and maximum grant amounts, since they will be evaluating provider applications and managing these contracts. HCD will monitor AEs to ensure that they effectively manage the number of awards they make.

D. Eligible activities (25 CCR 8403 (h) 8408 (b))

1. For the 2018 NOFA, all activities permitted under the federal ESG regulations shall be eligible except for renovation, conversion, or major rehabilitation activities under 24 CFR 576.102. Minor repairs to an ESG-funded ES that do not qualify as renovation, conversion, or major rehabilitation are an eligible use of state ESG funds.

2. The following additional limitations apply:

    a) HMIS - A maximum of 10 percent of ESG funds may be used for actual costs for HMIS activities (24 CFR 576.107; 25 CCR 8408).

    b) Minimum and Maximum Percentage of an Allocation for Rapid Rehousing – AEs must award a minimum of 40 percent of their available ESG funds to RR. There are no limitations on the maximum percentage of their allocation that can be used for RR. AEs collaborating with a geographically contiguous CoC in the Balance of State allocation must award 100 percent of both Service Area allocations to RR. In the absence of an approved AE, 40 percent of a CoC Service Area allocation may be accessed noncompetitively for RR. The CoC may recommend up to two applications for RR. HCD will administer these contracts. The remainder of the funds will be distributed through the formula to the Balance of State allocation (25 CCR 8403).

Note**:** Rental assistance payments provided as part of an RR or HP activity under 24 CFR 576.106 typically cannot exceed HUD's Fair Market Rent (FMR) as provided under 24 CFR Part 888; and must comply with HUD's standard for rent reasonableness as established under 24 CFR 982.507. Request for exceptions to FMR can be made to HUD through HCD and must be approved in writing. Contact your HCD representative in the Grants Management Unit for further assistance.

E. Match requirements (24 CFR 576.201; 25 CCR 8410)

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.

F. Non-entitlement areas (25 CCR 8403 (i))

The AE must ensure that all funded activities are available to non-entitlement areas of the SA, using the Coordinated Entry System and other means. The AE shall facilitate outreach to populations in the non-entitlement areas and shall evaluate participation from these areas at least annually. Funded activities may also serve households located in ESG entitlement areas.

VI. ESG administrative entity application submission requirements

A. Application process

Submit applications on the Excel forms provided by HCD. Do not modify the application forms. Applications that do not meet the filing deadline will not be eligible for funding. The ESG AE application forms are available to download at ESG's website.

B. Application packaging and submittal

Submit one hardcopy application with original signatures and one USB flash drive that includes a copy of the application with signatures to 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. Pacific Standard Time on Friday, September 7, 2018**. HCD will only accept applications through a postal carrier that provides date stamp verification confirming delivery to HCD's office such as the U.S. Postal Service, UPS, FedEx, or other carrier services. Please contact HCD if delivery is not completed by fault of the private carrier/U.S. Mail. Personal deliveries are not accepted. Applications must be mailed to the following address:

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

Questions regarding the ESG NOFA and application process can be directed to the following HCD NOFA representatives:

- Janette Schaake at (916) 263-2331, Janette.Schaake@hcd.ca.gov
- Connie Mallavia at (916) 263-2711, Connie.Mallavia@hcd.ca.gov

VII. Appendix A: Continuum of Care allocation

2018 Preliminary Estimated CoC Allocation*						
	CoC #	CoC Name	Grant Admin	Minimum of 40% for RR	Balance for other activities (RR, ES, HP, SO)	2018 ESG Formula Allocation (includes Admin)
1	604	Bakersfield/Kern Co CoC	$7,719	$106,878	$160,317	**$274,914**
2	512	Daly/San Mateo Co CoC	$5,375	$74,414	$111,620	**$191,409**
3	514	Fresno/Madera Co CoC	$8,010	$110,897	$166,345	**$285,252**
4	600	Los Angeles City & Co CoC	$31,472	$653,620	$435,746	**$1,120,838**
5	502	Oakland/Alameda Co CoC	$9,848	$136,353	$204,530	**$350,731**
6	611	Oxnard/San Buenaventura/ Ventura Co CoC	$4,246	$58,788	$88,182	**$151,216**
7	505	Richmond/Contra Costa Co CoC	$8,158	$112,948	$169,421	**$290,527**
8	608	Riverside City & Co CoC	$8,436	$116,806	$175,210	**$300,452**
9	503	Sacramento City & Co CoC	$5,930	$82,102	$123,154	**$211,186**
10	506	Salinas/Monterey, San Benito Counties CoC	$8,391	$116,176	$174,264	**$298,831**
11	609	San Bernardino City & Co CoC	$8,229	$113,940	$170,909	**$293,078**
12	601	San Diego City and Co CoC	$11,951	$165,472	$248,207	**$425,630**
13	500	San Jose/Santa Clara City & Co CoC	$10,768	$129,090	$193,635	**$333,493**
14	614	San Luis Obispo Co CoC	$2,956	$40,926	$61,390	**$105,272**
15	602	Santa Ana/Anaheim/ Orange Co CoC	$16,403	$227,114	$340,670	**$584,187**
16	603	Santa Maria/Santa Barbara Co CoC	$9,446	$130,782	$196,173	**$336,401**
17	504	Santa Rosa/Petaluma/ Sonoma Co CoC	$6,170	$85,428	$128,143	**$219,741**
18	511	Stockton/San Joaquin Co CoC	$5,016	$69,453	$104,180	**$178,649**
19	510	Turlock/Modesto/Stanislaus Co CoC	$8,129	$112,549	$168,823	**$289,501**
					Total	**$6,241,308**

*Estimates are based on HCD's 2018 ESG Allocation and do not include disencumbered funds from expired ESG contracts expected to be available before HCD issues ESG award letters for 2018. Amounts available will be finalized prior to issuance of award letters.