

Portfolio Reinvestment Program (PRP)

2022 Questions and Answers (Q & A)



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This Questions and Answers (Q&A) document represents key information and inquiry responses provided to potential applicants for the Portfolio Reinvestment Program (PRP). The questions and answers published below provide clarification and additional detail on the PRP guidelines and application process.

This Q&A is a combination of questions received from the PRP Notice of Funding Availability (NOFA) and application webinars. For additional questions and inquiries regarding PRP, please email the PRP team at portfolioreinvestment@hcd.ca.gov.

Questions are organized into the following categories:

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General

1. How does HCD determine which properties are eligible for PRP funds?

The primary threshold for project eligibility under PRP is based on the expiration date of the HCD Regulatory Agreements. The Department posted a list of projects with expired or expiring HCD Regulatory Agreements on the PRP website ([PRP RA Expiration List](#)). Additional project eligibility criteria do apply; please see PRP NOFA Section II A, 'Eligible Projects' for a complete list.

2. Where do the PRP's AMI limits come from?

The PRP's AMI limits are from the Multifamily Tax Subsidy Program (MTSP). The PRP limits will be the same as the MHP limits once the Existing Unit rent rules phase out.

3. Are low-income housing tax credits (LIHTC) allowed to be used in conjunction with PRP?

LIHTC is not an allowable source for PRP assisted rehabilitation projects. LIHTC may not be used to fund the project for at least ten years after the PRP rehabilitation loan is recorded. However, projects that previously were funded with LIHTCs are eligible for PRP assistance.

4. Are there any ineligible uses of PRP rehabilitation funds that are typically eligible uses in other HCD programs?

Funding operating reserves and replacement reserves are not eligible uses of PRP rehabilitation loan funds.

Threshold

1. Can a Property Condition Assessment (PCA) from 2019 be used to satisfy this requirement or are we required to provide a current 2022 report?

No. Pursuant to the PRP NOFA, PCAs must be prepared by a third-party and dated within 12 months of the application submittal date.

- 2. Construction costs have increased since the PCA was completed. We plan on adjusting the numbers and not re-assessing the condition of the property. Would that be accepted or do we need to update the PCA?**

Yes. This would be accepted. The PCA will establish the baseline cost for the rehabilitation and the corresponding development budget may include modest cost adjustments to account for inflation, subject to Department approval.

- 3. HCD's Loan Portfolio Restructuring Program (LPR) extended our project's Original HCD Loan more than a couple years ago. The LPR regulatory agreement expires before 12/31/2026. Is LPR considered an Original HCD Loan? Is this project eligible?**

LPR qualifies as an Original HCD Loan under the PRP rules; LPR is an extension of the initial financial assistance. LPR loan documents, including the regulatory agreement, meet the requirement of an original HCD Loan recorded on the property.

- 4. Our Original HCD Loan expires before 12/31/2026, but the LIHTC regulatory agreement has a substantial number of years left. We do not plan on seeking LIHTCs nor tax exempt bonds. Are we eligible to apply?**

PRP does not evaluate non-HCD affordability restrictions for program eligibility. Any and all of HCD's affordability restrictions must be expiring. Project eligibility is not impacted by other existing regulatory agreements, including TCAC regulatory agreements. Previous LIHTC executions do not impact a project's PRP eligibility.

Program Requirements

- 1. Do we need a construction loan commitment in hand as part of the application for PRP? At what point does it need to be in place?**

Yes. The PRP NOFA requires that the application demonstrates that the Project has construction period rehabilitation financing provided by another lender(s), as evidenced by a letter of interest or commitment letter acceptable to the Department in its sole discretion. The Department's PRP rehabilitation loan will not be disbursed until permanent loan closing.

- 2. Will the PRP loan reimburse costs associated with the construction loan at conversion?**

Yes. Costs associated with the construction loan are an eligible use of funds under PRP.

3. What happens to the original HCD loan(s) upon recordation of the PRP loan?

In most cases (except for HOME projects), the original loan documents will be terminated and incorporated into a new PRP loan: One Promissory Note, Regulatory Agreement and Deed of Trust capturing both the original loan and the PRP loan. This will effectively extend the term of the original loan. The PRP loan documents will distinctly and separately identify the PRP loan amounts, the original loan principal and the original loan accrued interest.

4. Are we obligated to get a private permanent loan if the building can support one?

Projects are required to comply with UMR Section 8310(e)(2).

5. We are not looking to rehabilitate or fund a capitalized operating subsidy reserve. Can PRP funds be used to take out the original Department loan?

PRP funds cannot pay off any original Department loans. PRP can only extend original HCD loan(s) and this extension must be made in conjunction with a PRP rehabilitation loan.

Operating Reserve/ Capitalized Operating Subsidy Reserve (COSR)

1. What if a property cannot meet the 1.0 DSCR but is supported by the sponsor? Can we capitalize an Operating Reserve or second operating reserve to cover cashflow problems for purposes of meeting Fiscal Integrity?

Projects that are unable to achieve Fiscal Integrity within ten years of the recordation of the PRP loan documents may capitalize a separate operating reserve (OR2) account to cover the cumulative projected operating deficits during the ten-year period. This account cannot be funded with PRP funds and must be funded prior to, or upon, recordation of the PRP loan documents. Withdrawals from the OR2 account are subject to HCD approval.

Applications using an OR2 to meet Fiscal Integrity should enter the total OR2 amount in the Other Reserve Costs rows (rows 88-90) in the 'Dev Budget' worksheet. The source of funds for the OR2 cannot be PRP funds. In addition, applicants should add a note regarding the OR2 in the 'App Customer Service' worksheet or upload a brief narrative description to the PRP Application box on the Attachments page of the Application Portal.

- 2. Does the 6/30/26 COSR deadline mean all funds must be expended by then? Or do the funds just need to be committed to the respective project with the actual expenditure occurring AFTER 6/30/26?**

PRP COSR funds must be paid out by 6/30/26. Any funds remaining thereafter are to be disencumbered.

- 3. Can the COSR be used to cover the .42 annual payment before the COSR expires?**

Yes.

- 4. If construction loan funds are used to pay for operating deficits during construction/rehabilitation, can the PRP COSR funds take out the operating deficit expense amount at permanent conversion? In other words, we would not use COSR funds during construction/rehabilitation but would pay back construction loan funds used for operating deficits with COSR funds at permanent conversion.**

COSR funds will be advanced at construction close and disbursed annually thereafter per the PRP NOFA, Section II F(2).

- 5. Should the PRP COSR loan be entered into 'Dev Budget' and 'Dev Sources' worksheets in the application?**

No. There is no need to enter the requested COSR loan in the 'Dev Budget' and 'Dev Sources' workbooks. The application handles the COSR loan separately. In no instance should the COSR be listed as a use of PRP rehabilitation loan funds in the 'Dev Budget'; the COSR is funded through a forgivable loan that is separate and distinct from the PRP rehabilitation loan.

Notice Requirements/Relocation

- 1. Will we have to permanently relocate any tenants with incomes over 80% AMI?**

No. Per the PRP NOFA, any tenant over 80% AMI should pay 30% of their income after proper noticing.

- 2. The PRP NOFA, Section II.E.(4) states that over income tenants "will be required to pay 30% of their household income." Is this a "must" or a "may"?**

The maximum allowable rent for over income tenants is 30% of household income under the PRP NOFA. Over income tenants may be charged any amount up to the maximum rent.

3. Does the 90-day notice requirement for rent increases start after the six-month notice requirement ends?

No. The first notice is sent at 6 months and the second notice (90-day notice) is sent three months later.

Legal

1. Can we prepare our own relocation plan?

Yes. However, all relocation plans must conform with California relocation law and are subject to review and approval by HCD's Legal Affairs Division.

2. Will HCD review relocation plans prior to application submittal?

No. HCD will only review relocation plans after an application has been submitted and all deficiencies must be corrected prior to execution of the Standard Agreement, Section III(D).

3. Are we required to use HCD's resolution templates for authorizations? When will the resolution templates be available on the website?

No. HCD's resolution templates provide guidance as to the minimum requirements for legal sufficiency. Each entity should consult with professional legal counsel regarding the development of its authorization documents.

The resolution templates have been posted on PRP's webpage in the Resources section.

Definitions

1. Please define Assisted Units. Does this mean units which are under an expiring HCD regulatory agreement and not units which are designated for special populations?

Assisted Units is defined in the PRP NOFA as: "a Unit that is subject to the PRP rent and occupancy restrictions as a result of the financial assistance provided by PRP, as specified in the PRP regulatory agreement."

All units assisted by the Original HCD Loan(s), those that had rent and occupancy restrictions placed on them because of the financial assistance provided by the Original HCD Loans, shall be PRP Assisted Units. Any special population requirements from the Original HCD Loan will likewise be required under PRP and specified in the PRP regulatory agreement.

Application

1. What is Urban Greening and do I need to use this budget line in the PRP application?

Urban Greening is defined as public landscaping and does not apply to PRP. This section of the application can be left blank.

2. If we have already completed the older version of the application, do we have to entirely redo it with the new version?

It is preferable to use the newer application as it includes the 2022 MTSP rent and income limits. However, if you have already populated most of the fields, you can forward the application to AppSupport@hcd.ca.gov and have the tables updated.

3. What are we supposed to enter into the 'Non-Assisted Units' worksheet?

The 'Non-Assisted Units' worksheet is for all units that will not be assisted by the PRP loan. The 'Non-Assisted Units' worksheet is for market-rate units and for units that are not assisted by HCD and have affordability restrictions from other public agencies and/or lenders. Review the non-assisted units' total gross revenue to ensure it relates to your project's rent roll for those units. The non-assisted units' rental revenue on this worksheet is pulled into the projections on 'Cash Flow' and 'COSR Calculation.'

The 'Assisted Units' tab is only for units that will be assisted by HCD and listed in the PRP Regulatory Agreement, as well as manager units.

4. Our project has an operating subsidy from a non-HCD source that will begin assisting the project after the PRP COSR is exhausted. The project needs this subsidy to satisfy Fiscal Integrity requirements. How do we enter this subsidy in the application so that the projections properly reflect subsidy revenue?

If a Project has or will have an operating subsidy, upload a supplemental subsidy documentation to the PRP Application Portal "Attachments" page in the PRP Application box. The supplemental subsidy documentation must include the subsidy name, description, terms, and the subsidy contract documents. Do not show operating subsidies within the 'Dev Budget' worksheet.

Program staff will reach out to work with Applicants after their application is submitted to ensure the subsidy is recognized correctly and reflected in the projections in the 'Cash Flow' worksheet.

5. If we are using an Operating Reserve or second Operating Reserve to achieve Fiscal Integrity, how do we reflect that in our PRP Application?

If a Project will fund an Operating Reserve account from sources besides PRP as part of the rehabilitation project, this must be shown in the 'Dev Budget' worksheet. Reserve funding is not an eligible use of PRP funds. If a project has an existing Operating Reserve account with a current balance that will be used to cure cash flow short falls, enter the current amount that is in the Operating Reserve account on cell F38 of the 'Operating' worksheet on the Operating Subsidies revenue line item.

Program staff will reach out to work with Applicants after their application is submitted to ensure the reserve withdrawals are recognized correctly and reflected in the projections in the 'Cash Flow' worksheet.

6. If there are other regulatory agreements on the project that are more restrictive than HCD, how should those rents be reflected? The application has a formula that sets rents for vacant units at HCD's max rent.

Submit your application through the Application Portal. After the PRP application is submitted, program staff will work with applicants to recognize the financial impact these restrictions have in the application workbook during application review. Upload all regulatory agreements to the PRP application box in the attachments page of the Application Portal.

7. How are the number of Assisted Units determined?

The minimum number of PRP Assisted Units is the number of Assisted Units included in the Original HCD Loan Regulatory Agreement. The number of Assisted Units should equate to the number of Assisted Units in the Original HCD Loan annual reporting; however, Sponsors may elect to have additional units assisted by the PRP.

8. Should the PRP loan and the Original HCD Loan be separately identified in the Sources & Uses?

Yes. The PRP loan and Original HCD Loan should be entered separately.

9. What is required for CEQA documentation?

Most PRP rehabilitations that only involve the maintenance, repair and replacement of dated components are statutorily exempt from CEQA. Projects whose scope may fall outside of statutory exemption(s) should disclose their assumed CEQA path in the narrative scope description if it is reasonably apparent at time of application.

10. The PRP application asks for a staffing chart – is that the same as the organizational chart?

The staffing chart is a narrative that identifies the Sponsor's staff and describes their experience in developing and managing affordable housing projects whereas an organizational chart shows the structure of the organization.

11. Does "Development Funding Source" sections in the 'Borrower and Dev Team Contacts' worksheet list contacts for both the construction financing as well as permanent financing?

Yes. It includes construction and permanent lenders. Provide contact information for each source of funds in the application and attach a supplemental sheet if you have more sources than the application can capture. This includes any existing debt.

Application Portal

1. I signed up and registered for an account with the PRP's Application Funding Portal, but I can't login. The portal says my username or password doesn't exist and won't let me reset my password. What's wrong?

After you register and sign up for an account on HCD's Services and Applications Funding Portal, the system will automatically send you a registration confirmation email. This confirmation email contains a unique link to our portal that is used to authenticate your email address and activate your Application Portal account. The confirmation email is sent from calhcd@service-now.com.

Please check your email inbox and all spam and junk email folders for this registration confirmation email. You must click the link in the confirmation email to activate your portal account. Contact AppSupport@hcd.ca.gov if you encounter a portal issue that you cannot resolve.

2. How can I change something in a submitted PRP application?

Login to the Application Portal as the user who submitted the application and open the submitted application. Click on the "Add more Attachments" button and wait for the portal to refresh. You may add additional attachments here or navigate to the "Submission Details" tab to make changes to the information section (project information, applicant information, etc.). After adding attachments or making changes to the information fields, scroll down and click the "Submit Application" button. All changes are saved on a page by clicking "Submit Application."