Joe Serna Jr., Farmworker Housing Grant Program (SERNA)

NOFA and Application Workshop

California Department of Housing and Community Development

January 2020

Welcome and Introduction

Presenters

Meet our HCD SERNA Staff	
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Hot Topics and HCD Process Improvements

HCD Process Improvements

- **Standard Agreements**

    - Organizational Documents

    - Resolutions

- **Relocation Reviews Process**

- **Article XXXIV Review Process**

HCD Process Improvements -Standard Agreements

- Past Practice & Process Issues:

  - Timing

  - Delays to Construction Closing

  - Inconsistency Across Programs

  - Confusion in Communications

  - Frustration

  - Multiple Amendments

  - Fi$cal

HCD Process Improvements -Standard Agreements

- Goals:
  - Pending Contracts out within 90 days of Award
  - "Standard" Agreements (SA) across programs
  - Execute the SA ONCE
    - All entities included
    - Payees Named
  - Minimize/Eliminate need for amendments
    - Budget Changes
    - Performance Milestones
  - Clean handoff from NOFA to Loan Closing

HCD Process Improvements - Standard Agreements

- Process:
  - Organizational Documents with application
    - Borrower
    - Managing General Partner (MGP)
    - Sponsor/Applicant
  - Reviewed during feasibility
  - Post-Award Corrections
  - Final Project Reports
  - Sponsor Engagement (Awardees)

HCD Process Improvements - Standard Agreements

- Organizational Documents
  - Sponsor (Threshold Requirement)
  - Borrower
    - Partnership Agreement (formation)
    - MGP/LLC
    - Administrative General Partner (AGP) if signatory on SA/Loan documents
    - Other entities included in Borrower structure

HCD Process Improvements - Standard Agreements

- Authorizing Resolutions (Common Mistakes)
  - Applicant Name & Org. Type
    - Matches Org. Docs. exactly
    - Matches STD 204 and/or TIN exactly
    - TIN is for the correct Department or Subdivision
  - Authorized Representative
    - Name & Title (corporate entities)
    - Title (public entities)
    - Designee Letter
    - Matches signature block exactly
  - And/Or – Cannot be both

HCD Process Improvements - Standard Agreements

- Authorizing Resolutions (Common Mistakes)

  - Vote Count
    - Not filled in completely
    - Not consistent with corp. by-laws
  - Signatory on Resolution
    - Must be different from Authorized Representative

HCD Process Improvements - Relocation & No-Relocation

- Staff Review
  - Vacant Land Only
  - No-Relocation Certification to be executed

- Legal Review Required
  - No relocation other than vacant land
  - Evidence conflicting with "vacant land" assertion
  - Relocation required and plan submitted

HCD Process Improvements – Article XXXIV Reviews

- Staff Review
  - Identify errors & omissions
  - Consult with legal counsel
  - Make corrections via Project Reports

- Legal Review Required
  - Less restrictive approach
  - Revised Opinions not required
  - Issues resolved prior to award

General program overview

General Program Overview

- Program Summary
- Definitions
- Funds Available & Authority
- Guidelines and Regulations
- Eligible Activities
- Site and Design Criteria
- What's New?
- Timeline

Program Summary

- Purpose
  - Provide deferred-payment **loans** for the construction or rehabilitation of multi-family housing and **grants** for single-family new construction or owner-occupied rehabilitation programs, to address the housing needs of Agricultural workers.

Definitions

- Agricultural household
  - An Agricultural worker or workers and other persons who reside or will reside with an Agricultural worker in an assisted unit.

- Agricultural worker
  - An individual who derives or prior to retirement or disability derived a substantial portion of his/her income from agricultural employment.

Funds Available and Authority

- Approximately $74 million

- Authority
  - Proposition 1, Housing Programs and Veterans' Loans Bond (2018)

  - Senate Bill 2 (SB 2) 2017
    - Atkins, Building Homes and Jobs Act

Guidelines and Regulations

- Governed by
    - 2017 Uniform Multifamily Regulations
    (commonly referred to as UMR's)
    - State Program Regulations: Title 25 California Code of Regulations (CCR) Section 7200
    - NOFA and Notice of Guidelines Memorandum

Eligible Activities

- Rental Housing Development (loans only)
  - New Construction
  - Rehabilitation
  - Acquisition and Rehabilitation

- Single-family residential housing programs (grants only)
  - New Construction
  - Owner-Occupied Rehabilitation

Site Criteria

- Near a residential area with access to schools, shopping, medical services, social services and employment

- Consistent housing element

- Not in a high concentration of low-income households

- Development or rehabilitations costs must be reasonable

- Not in a 100-year floodplain

Design Criteria

- Provide safe, sanitary, and decent housing
- Compatible with the existing community
- Energy conservation
- Cost effective use of grant funds

What's New?

- No Match Requirement
- .42 Percent monitoring fee
- Aligned with the structured rent limits used by the Tax Credit Allocation Committee (TCAC) and the HCD Multifamily Housing Program (MHP)
- Prohibition of use of multiple Department funding sources on the same Assisted units (stacking)
- No Rating and Ranking (Scoring)

Timeline

NOFA Release	December 26, 2019
Application Form Available	January 8, 2020
Applications Due	Over-the-Counter February 20, 2020 – May 20, 2020
Award Announcements	Ongoing Beginning March 2020

Questions?

Multi-Family Rental Housing Development Overview

Program Overview

- Eligible activities

- Loan terms

- Maximum project funding amounts

- Loan limits

Eligible Activities

- Multi-family new construction or rehabilitation with or without acquisition

- Target lowest income Agricultural households

Loan Terms

- 55-year term

- 3% Simple Interest (principle and interest deferred)

- First 30 years Mandatory debt service of 0.42%

- Next 25 years adjusted to cover HCD's monitoring costs

- Unpaid interest and principle due at the end of term

Maximum Project Funding Amounts

- Project without Low Income Housing Tax Credits (LIHTC) or using 4% LIHTC:
  - Maximum $10 million

- Project using 9% LIHTC:
  - Maximum $5 million

Loan Limits

- Base amount per Assisted Unit, PLUS
  - amount per Assisted Unit required to reduce Rents from 30% of 60% of AMI to the actual maximum restricted Rent for the Unit

- Initial base amounts:
  - 9% tax credit: $95,000 per Assisted Unit
  - 4% or no tax credits: $175,000 per Assisted Unit in a new construction Project located in a "High Resource" or "Highest Resource" area
  - 4% or no tax credits: $150,000 per Assisted Unit

Homeownership Housing Development Overview

Program Overview

- Eligible Program Activities

- Loan terms made by the Grantee to an eligible agricultural household

- Maximum project funding amounts

Eligible Program Activities

- Single-family new construction

- Owner-occupied rehabilitation
  - Repairs necessary to protect the health, safety, or welfare of occupants of the housing.

Loan terms made by the Grantee to an eligible Agricultural Household

- 20-year term

- Full repayment if home is sold or reconveyed within first 10 years

- Repayment reduced by 10% for each year if home is sold beyond tenth year

Maximum Grant Amounts

- Single-family homeownership projects
  - Maximum $3 million
  - $150,000 per Assisted Unit

- Owner-occupied rehabilitation projects
  - Maximum $2 million
  - $75,000 per Assisted Unit

Questions?

15 Minute Break

Threshold Requirements

Threshold Requirements

- Eligible Applicant

- Eligible Project

- Site Control

- Complete Application

Eligible Applicant

- Local public entity, nonprofit corporation, limited liability company (LLC), or limited partnership (LP) having capacity and experience

- Has the ability to timely proceed upon commitment of Program funds

- For-profit entities are not eligible Applicants

Minimum Experience

- Multi-family
  - Developed and owned at least one similar type and size project within the last five years; **and**
  - Have staff with demonstrated experience managing at least one project occupied primarily by Agricultural households.

- Single-family
  - Successfully sponsored or supervised a similar program for at least two years within the last 10 years.

Eligible Projects

- Must contain Assisted units to be occupied by Agricultural households

- Assisted units are to be occupied by lower-income Agricultural households

- Any Non-Assisted units to be occupied by Agricultural households, to the greatest extent possible

Eligible Project – Multi-family

- Multi-family Rental Housing

  - Minimum 10% Assisted units with income no greater than 30% AMI

  - Units distributed reasonably among bedroom sizes

  - Maximum Rent limit - 80% AMI

Eligible Project – Multi-family

- Multi-family Rental Housing – Minimum Assisted units

  - Program funds < 25% of the total development/rehab cost or value of the project

    - For every 1% of the total development/rehab or value of the project, a minimum of 2% of the total number of units shall be assisted

$$\frac{\text{Serna Program Funds}}{\text{TDC}} \quad \textbf{x} \quad 2 \quad \textbf{x} \quad \text{Total \#} \quad = \textbf{\# Assisted Units}$$
units

Eligible Project – Multi-family

- Multi-family Rental Housing – Minimum Assisted units
  - Program funds ≥ 25% of the total development/rehab cost or value of the project
    - Assisted units shall be directly proportional to the percentage of program funds, but not less than 50% of the total number of units

Eligible Project – Single-family

- Single-family New Construction

- Owner-occupied Rehabilitation

Site Control

- At the time of application site control
    - Must be in the name of the Applicant or,
    - Entity controlled by the Applicant

- If an entity other than the Applicant is named
    - Organization documents must clearly demonstrate Applicant's control

Site Control

- Types of site control
  - Fee Title
  - Ground Lease
  - Purchase Option/Lease Option
  - Sales Contract
  - Disposition and Development Agreement (DDA) - Public Entities
  - Exclusive Negotiation Agreement (ENA) – must be for negotiation for acquisition and contain essential terms
  - Land Sales Contract

Site Control

- Documents to submit
  - Preliminary Title Report – Dated within six months of application date
  - Grant Deed
  - Executed agreements

- All forms of site control must extend through anticipated award date

Complete Application

- On HCD Forms (Universal Application and Supplemental Application)

- Sufficient to perform our review

- All Required reports and documents are submitted as specified in document checklist

Required Reports

- Appraisal - Within two years of application date (Required if the project is claiming land value and cost is included in the development budget.)

- Market Study – Within one year of application date

- Environmental reports - Within one year of application date

- Physical needs assessment (PNA), asbestos, lead based paint, mold reports (Rehab only)

Questions?

Feasibility

Financial Feasibility

- Organizational Documents & Resolutions

- Development Budget

- Rents

- Operating Expenses

- Cash-Flow

Organizational Documents & Resolutions

- Based on proposed Borrower organizational structure

- Corrections required before Standard Agreement

Development Budget

- Contractor Overhead / Profit / General Requirements
  - Not to exceed 14% of site work and structures.

- Hard-Cost Contingencies
  - Rental New Construction 5%
  - Rehab 10%
  - Higher amounts must be explained

- "Other" costs specified   Other: (Specify)

Development Budget Reserves

- Operating Reserves
  - Tax Credit Projects - 3 months
  - Non-Tax Credit - 4 months
  - ➢ Of each of the following:
    - Required replacement reserve
    - Non-contingent debt service
    - Projected operating expenses

Development Budget Reserves

- Transition Reserve
  - For projects utilizing Project Based Rental Assistance
  - Amount needed to cover one year after subsidy ends

Total Development Cost

- Equal to permanent sources

- Costs are reasonable

- High cost analysis
  - If exceeds 160% explanation is required
  - May result in disqualification

Rents

- Assisted units not to exceed 80% Area Median Income (AMI)

- 2019 rent limits should be utilized

- Utility Allowance must be documented

Operating Expenses

- Replacement Reserves
  - New Construction - the lesser of:
    - 0.6% of structure costs or
    - $500 per unit
  - Rehab
    - $500 per unit

- Asset Management Fee
  - Not to exceed $34,426 (2020)

Operating Expenses

- Finance Expenses
  - Mandatory Debt
    - Balloon Payments
  - 0.42% Annual Debt Service
    - Multiple HCD - break out on separate lines
  - Bond Issuer Fee
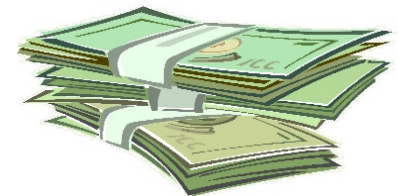
15 Year Cash-Flow

- 15-year positive cash flow
  - 2.5% increase income
  - 3.5% increase expenses

- Debt Service Coverage Ratio (DSCR)
  - Not Less than 1.10:1 or Greater than 1.20:1 except
    - 12% Rule
    - A higher ratio may be allowed in limited circumstances, to ensure 20-year positive cash flow feasibility

15 Year Cash-Flow

- Residual Receipts and Sponsor Distributions
  - 50% to Sponsor
  - 50% to Department
    - The Department may share with other public entity lenders on a pro rata basis

Questions?

What's Next?

What's Next?

- Project Reports prepared
  - Presented to Internal Loan Committee

- Final Project Reports prepared
  - Copy will be sent to the Applicant

- Award letters will be sent

- Standard Agreements Issued

- Hand project/program off to Loan Closing Section/Grants Management

Application Review and Submittal

Organizing the Binder

- Complete original application in a three-ring binder

  – Electronic copies on a flash drive

- Refer to the Serna Document Checklist:
  – Label tabs to separate each section
  – Number tabs for documents
  – For items not applicable to your application, place a sheet stating "Not Applicable" behind the tab
  – Letters of Explanation (binder tab 3a) – Required for any 'No' responses within the self-certification section in Overview tab

Document Checklist

Packaging instructions for the JOE SERNA, JR. FARMWORKER HOUSING GRANT PROGRAM application submission:

(1) Use 3ring binder/binders appropriate to the size/thickness of the Universal Application and the Supplemental Application when submitting the application package to the Department.

(2) Use labeled tabs to separate each section and document attached according to the Application checklist to separate each section and document attached in the application.

(3) Use the tab file name descriptions and file structure below for the 1. binder tab numbers and 2. electronic folder and file name.

Binder Tab #	Threshold Requirement	Electronic File Name	Document Description	Included?
1	X	Document Checklist	Document Checklist.	
2	X	UA	Universal Application.	
3	X	SA	JOE SERNA, JR. FARMWORKER HOUSING GRANT PROGRAM Supplemental Application.	
3a		LOE	Letters of Explanation.	
4	Rehab Only	Rehab Description	Narrative of current condition of structure(s) and description of overall scope of work. Include a discussion of any proposed modification to unit configurations, unit mix, need for seismic retrofit, or modifications in use (e.g., commercial/tourist hotel to SRO or studio apartments).	
5	Rehab Only	PNA or CAN	PNA or CNA by qualified independent third party contractor.	N/A
6	Rehab Only	Rent Roll	Current rent roll, tenant income & household size info, submit by unit.	
Applicant 1 Organizational Documents				
File Name:	App1 Cert & Legal Disclosure	Certifications & Legal Disclosure	See Certifications & Legal Disclosure	Hard Copy and on USB?

Applications

- Multi-Family
  - Supplemental Application
  - Universal Application
- Single-Family
  - Supplemental Application

Current NOFA

Application due date – Over-The-Counter starting February 20, 2020 through May 20,
emailing lists to receive notifications and announcements.

- **New!** 2019 Joe Serna Jr., Farmworker Housing Grant Program NOFA (PDF)
- **New!** Single Family Application (XLS)
- **New!** Supplemental Application (XLS)
- **New!** Universal Application (XLS)

Single Family
Rental Housing Development

Application Tips

- Do not copy and paste into cells
- Complete tabs in order, as tabs are linked
- No Apple products for application submission
- Confirm –
    - Application Signatory is an authorized signer per the Resolution
    - Application is complete and is the latest version

Application Submission

- COMPLETE original and electronic copies of the application to be received starting February 20, 2020 – May 20, 2020 (or until funds are no longer available)

- No facsimiles, late, incomplete, revised, electronically transmitted, or walk-in application packages will be accepted

- Applications must meet all eligibility requirements upon submission

Disclosure of Application

- Information becomes public record available for review by the public

- Use Discretion - Applicant is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request

- *Remember*: Once your application is received, it must stand on its own to represent your project!

Resources

Joe Serna Jr. FWHG Website
http://www.hcd.ca.gov/grants-funding/active-funding/fwhg.shtml

State Program Regulations – Title 25 California Cod of Regulations (CCR) Section 7200
http://www.hcd.ca.gov/grants-funding/already-have-funding/uniform-multifamily-regulations/docs/New_Serna_Regulations.pdf

2017 Uniform Multifamily Regulations (UMR's)
http://www.hcd.ca.gov/grants-funding/already-have-funding/uniform-multifamily-regulations/docs/Uniform-Multifamily-Regulations-2017.pdf

MHP 2019 Round 1 Final Guidelines

https://vault.hcd.ca.gov/processedfiles/c5SeVNl3sFNDceYpxiOv/Round-1-MHP-Final-Guidelines.pdf

2019 TCAC Regulations
https://www.treasurer.ca.gov/ctcac/programreg/2019/20190227/regulations-clean.pdf

TCAC Opportunity Maps
https://haasinstitute.berkeley.edu/sites/default/files/mappings/TCAC/opportunity_map_2019.html

State Program Statutes
Health and Safety Code (HSC) Section 50517.5

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Questions?

Contact

Additional questions may be sent to Serna mailbox

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