

Homekey Rehabilitation, Conversion and Relocation Guidance and FAQ

1. Do I need to submit my plan to convert my Homekey project site from interim to permanent? If so, what does this plan need to contain?

Section 401 of the 2020 Homekey NOFA states that “As requested by the Department, Grantees will be required to provide progress reports of the development plan and any updates to the timeline of the completion of the project. The development plan should include the project's completion milestones and any updates or substantial changes.” Prior to converting a project site from interim to permanent, or at most within five years of contract execution, Sponsors of interim to permanent conversion projects must submit a conversion plan to the Department. The plan does not have a minimum length or formatting requirement, but must contain the following:

- Brief overview of conversion strategy (e.g. type of work that needs to be done, plans for occupied rehab, rehabilitating one unit at a time, phased conversion, etc).
- Timeline for conversion, including estimated start and completion dates (month and year)
- Overview of plan to locate and secure alternative sites for existing interim tenants or otherwise prevent displacement during the conversion period.
- Supplemental sources of funding being used to complete rehabilitation or construction.
- Planned number of units before and after conversion, and how many will be unavailable during conversion.
- Total number of units occupied at the time the conversion plan is submitted.

2. When can a conversion from interim to permanent begin? Can I convert to permanent housing before the 10-year use restriction is up?

The conversion to permanent can begin when the Sponsor is ready, no minimum time must elapse before conversion, but the conversion must be completed before the interim affordability period expires (10 years for interim projects under Homekey Round 1, 15 years for Homekey Round 2). The Sponsor must notify the Department of their intent to begin conversion by completing a Homekey Interim to Permanent Conversion Notice form.

- For Homekey Round 1, submit form to: HomekeySGM@hcd.ca.gov.
- For Homekey Round 2, submit form to: Homekey2SGM@hcd.ca.gov

3. While rehabilitating a project to convert to permanent, can the tenants be rehoused temporarily?

Yes, the total number of restricted units, as detailed in Exhibit E of the HCD Standard Agreement, can be relocated to offsite temporary housing during the construction and/or rehabilitation, and relocated tenants can be moved back to the Homekey project site once rehabilitation is complete. In other words, substantial occupancy should be maintained, but can be achieved offsite during construction and/or rehabilitation.

4. Do I have to supply housing units while the project is being rehabilitated?

Yes, we recommend that the Sponsor provide units enough to house all existing tenants in the site at the point of conversion. Refer to the Homekey Round 1 NOFA Section 305 v.a.

and Section 301 iii. of the Homekey Round 2 NOFA for guidance on providing housing during rehabilitation.

Relocation law may also require that the grantee find units to replace unrestricted units within the Homekey site as well. Per the Standard Agreement, Exhibit A Section F., The California Relocation Assistance Act (CA Gov Code 7260-7277) and the Uniform Relocation Assistance and Real Property Acquisition Act 42 U.S.C. § 4601 *et seq.*, the Sponsor is responsible for following relocation law and for relocation costs for individuals who are displaced by the rehabilitation of existing units.

5. Do I have to submit a conversion plan and interim to perm notice form if I did not apply for an interim to permanent conversion project but still plan to do significant rehabilitation?

If your project with the Department is not an interim to permanent conversion and the unit number is not changing, you do not have to submit a conversion plan or notice form, however, **you are still subject to relocation law**. We advise that you use the information contained in this FAQ as guidance to prevent tenant displacement while undergoing rehabilitation.

If your rehabilitation will result in a change in number of units, we do request that you submit this Interim to Permanent Notice form (regardless of project type) and record a new covenant with the updated number of units. We would also need to amend your Standard Agreement.

6. After rehabilitating the Homekey site for permanent housing, do the new tenants have to be the Homekey target population and not exceed 30% AMI?

Yes. The target population and AMI level must continue to be Homekey-eligible.

7. When rehabilitating a site, can I reduce the number of units to increase bedroom sizes and/or create kitchen space for larger families?

When doing rehabilitation to include kitchen space and/or increase bedroom sizes, it is understood that total unit count may be reduced. This is permissible if there is approximately the same square footage of space utilized for tenants as prior to the rehabilitation of the project and/or same occupancy capacity. The Department will review the details of this change in the Interim to Permanent Conversion Notice form. If the final unit count is significantly less than the number of units in the application which served as the basis for the award amount, and the square footage and housing capacity offered is also significantly reduced, the Sponsor may be found in breach of contract and required to return funds to the Department accordingly.

8. Can a Homekey site relocate their existing Homekey tenant population offsite permanently if the tenants receive guaranteed housing offsite?

If Sponsors are removing tenants from an interim Homekey project site to rehabilitate or convert the site, they must follow the one-for-one replacement and displaced tenant policies in Section 305 v. a-c and vi. of the Homekey Round 1 NOFA, or Section 301 iii. of the

Homekey Round 2 NOFA. The Sponsor must provide proof of a 1:1 replacement of units, a reason for needing to move tenants permanently off-site, and a detailed description of the assistance and benefits to be provided to the tenants at their new location(s). The off-site units must not have existing affordability covenants or vouchers attached to them. The request must be submitted to the State Grant Management Branch prior to the relocation.

9. What is an acceptable replacement of units?

In cases where permission to permanently relocate Homekey tenants is granted, the one-for-one replacement of assisted housing units can be achieved by moving the Homekey target population from the existing Homekey site to a unit that was not already restricted or assisted. Regardless of how it is accomplished, the Sponsor should have site control over the replacement unit and must not be replacing a unit that would otherwise be available to the same target population.

10. Can I relocate tenants to other State-funded sites?

Using Homekey funds to support tenants in units that have already received funding designed to keep them affordable would be effectively “double dipping” – using two separate funding sources to pay for the same expense twice—in this example, the creation of an affordable unit, and would not count towards creating a new Homekey unit. However, Homekey units can be supplemented and supported by sources of funds that ensure the sustainability of the unit or ongoing operating costs.

11. Will I be required to create a new covenant and get HCD approval if the unit count changes and/or if we relocate tenants permanently offsite.

Yes. This request must be submitted in advance of these changes via the Interim to Permanent Conversion Notice form and needs Department approval.

12. Can I give displaced tenants Housing Choice Vouchers instead of restricting a new unit?

No. Housing Choice Vouchers do not guarantee that a tenant will be housed, nor do they give the Sponsor control over the unit. The 1:1 replacement must be a newly restricted affordable unit over which the Sponsor has site control (see Standard Agreement Exhibit D paragraph 12). If a voucher recipient were no longer eligible to receive the voucher subsidy, the loss of the voucher would result in a loss in affordable units for the Homekey target population. The availability of affordable units must remain the same.

13. If a tenant exits the program to a new housing opportunity, do I have to refill their unit?

If a unit is vacated voluntarily, that unit should be immediately made available for another Homekey-eligible tenant unless there is an imminent plan in place to begin construction or rehabilitation on the site. If there is a conversion plan on file and the Department has been notified of the construction timeline, the Sponsor should maintain at least 50% occupancy either on or off-site. If not in the process of converting, or if there is no existing conversion plan, all habitable Homekey units should be made available for occupancy.

14. Can I use Project-Based vouchers as a replacement for a Homekey unit?

A brand-new project-based voucher may be acceptable with Department approval. The Sponsor should have control over the project in which the new voucher was being used, or otherwise be able to guarantee the same length of affordability as the original Homekey units (at least 10 years for interim and 55 years for permanent). The Project Based Voucher should not be an existing voucher as that would result in a net loss of affordability.

15. Is a Homekey funded project also able to receive additional funding such as MHP, NPLH, VHHP, and/or tax credits to fund additional rehabilitation in order to convert the project to permanent units?

Yes, however, the funding programs may conflict with one another or have different minimum standards. Sponsors who are layering different State or Federal funds into Homekey projects must follow the most restrictive requirements (such as the lowest AMI or most specific target population). However, there must be a minimum of 30% AMI (or lower if the Homekey Affordability Covenant is lower) and must always provide units the Homekey Target Population, or stricter Target Population if listed in Homekey Standard Agreement. Additionally, relocation law must be followed for rehabilitation. Sponsors are strongly encouraged to seek Technical Assistance from Department staff to determine if different funding programs are compatible.

16. Can I use ESG or ESG-CV on my Homekey project while it is an Interim project?

ESG and ESG-CV can be used for interim Homekey projects if the projects are operating functionally as an Emergency Shelter or for Rapid Re-Housing. ESG cannot be used for HUD-defined Interim Housing that involves a tenant lease nor as an operating subsidy when existing funds are already being used for that purpose. Sponsors are encouraged to detail their use for the project site when requesting to use ESG funds on a Homekey-funded site

and reach out to their ESG grant representative before requesting ESG funds for a Homekey project. Sponsor Based Rental Assistance is an eligible activity under Rapid Re-Housing when using ESG-CV funds.

17. If I use HUD Project-Based Vouchers in my Homekey project, will my project require a NEPA environmental review?

If any federal funds, including HUD project-based vouchers (PBVs), are used to support units in a Homekey project site, NEPA clearance will be required. You can review HUD's policies on NEPA for PBVs and Housing Choice Vouchers here: [PIH2016-22.PDF \(hud.gov\)](#)