



State of California
Department of Housing and Community Development
Community Development Block Grant - Disaster Recovery
Disaster Recovery Multifamily Housing Program
Policies and Procedures Manual

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Section 1. General

1.1. Purpose and Scope

This document is designed to address program policies and provide general guidance for the use of Community Development Block Grant – Disaster Recovery (CDBG-DR) funds appropriated under Public Law 115-123, Catalog of Federal Domestic Assistance Number 14.228. The California Department of Housing and Community Development (HCD) is the lead and Responsible Entity for administering the CDBG-DR funds allocated to the State of California. CDBG-DR supports the State of California’s unmet recovery needs related to the Federal Emergency Management Agency (FEMA) Major Disaster Declarations DR-4344 in October 2017 and DR-4353 in December 2017. HCD performed an Unmet Needs Assessment that covered the areas affected by DR 4344 and DR 4353, and included data from FEMA, Small Business Administration (SBA), California’s Department of Forestry and Fire Protection (CAL FIRE), and California Department of Insurance (CDI). Recognizing the requirement included in Federal Register Notice [83 FR 5844](#), published February 9, 2018, and [83 FR 40314](#), published August 14, 2018, to address housing needs first and based on the results of the needs assessment, HCD developed the Disaster Recovery Multifamily Housing Program (DR-MHP). DR-MHP Projects are funded to assist with meeting the unmet rental housing need, including the needs of individuals displaced from rental homes and individuals who became homeless as the result of the disasters. Multifamily Projects include apartment complexes and mixed-use developments. The DR-MHP will allow Subrecipients to identify, select, and submit potential Projects to HCD for eligibility assessment and review, approval, and funding. Subrecipients that receive funds will then work with qualified Developers and Contractors to construct the Projects.

1.2. Program Timeline

Milestone	Due Date
Final Date to Submit Notice of Interest	January 31, 2020
Publish Program Policies and Procedures	March 13, 2020
Q&A Webinar on Policies and Procedures	March 25, 2020
Release NOFA and Application	March 27, 2020
Northern CA NOFA Workshop (Webinar)	Week of April 13, 2020
Southern CA NOFA Workshop (Webinar)	Week of April 20, 2020
Execute Master Standard Agreement	TBD
Final Date to Submit Project Applications	December 31, 2021
HCD Reallocation of Unused Funds	January 2022
Final Date to Construct Housing Units	March 2025
Closeout Grant	August 2025

1.3. Terms and Definitions

Affordable Rents: means rents that are at or below the “High” HOME Program rents published by the U.S. Department of Housing and Urban Development (HUD) for different metropolitan areas.

Affordable Units: means a “dwelling” that is rented at an Affordable Rent to a household that earns less than 80 percent of Area Median Income adjusted for household size as calculated by the U.S. Department of Housing and Urban Development (HUD) for different metropolitan areas within the State and published annually by the State of California Department of Housing and Community Development (Department or HCD).

Applicant: means any eligible jurisdiction, city, or county that applies for funds pursuant to applicant eligibility section. (See Also: Subrecipient)

Area Median Income (AMI): means the median family income for specific geographic areas, adjusted for household size, as calculated by HUD, and published annually by HCD for the CDBG program at <https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.

CALGreen: is California’s first green building code and first in the nation state-mandated green building code. It is formally known as the California Green Building Standards Code, Title 24, Part 11, of the California Code of Regulations. For more information, visit <https://www.dgs.ca.gov/BSC/Resources/Page-Content/Building-Standards-Commission-Resources-List-Folder/CALGreen#@ViewBag.JumpTo>.

California Environmental Quality Act (CEQA): is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

Code of Federal Regulations (CFR): is the acronym used for the Code of Federal Regulations.

Contractor: a properly licensed person or company that subrecipients or developers hire to undertake a contract to provide materials or labor to perform a service or do a job.

Davis Bacon Wage Requirements: For Projects that include eight (8) or more dwelling units, the Davis Bacon and Related Acts (DBRA) requires all contractors and subcontractors performing work on federal or District of Columbia construction contracts or federally assisted contracts in excess of \$2,000 to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar Projects in the area. The prevailing wage rates and fringe benefits are determined by the Secretary of Labor for inclusion in covered contracts.

Deep Affordability: Multifamily housing with at least 10% of units available for households whose income is at or below 30% of AMI.

Department of Housing and Urban Development (HUD): Federal department through which the CDBG-DR funds are provided to HCD.

Developer: A private for-profit or nonprofit organization that owns or has site control over real property and arranges all financing, professional, technical, and construction services necessary to develop or rehabilitate affordable housing.

Disability: The law defines disability as the inability to engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment(s) which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Disaster Recovery Multifamily Housing Program (DR-MHP): is the acronym used for the Disaster Recovery Multifamily Housing Program.

Duplication of Benefits (DOB): Financial assistance received from another source that is provided for the same purpose as the CDBG-DR funds.

Elderly Person: A person at least 62 years of age.

Environmental Review Record (ERR): A permanent set of files containing all documentation pertaining to the environmental review compliance procedures conducted and environmental clearance documents as required by CEQA and NEPA regulations. (See California Environmental Quality Act and National Environmental Policy Act).

Extremely Low Income (ELI): ELI individuals or families whose income is at or below 30% of the area median income (AMI) or the federal poverty level, whichever is higher for the area of the proposed Project.

Fair Market Value (FMR): The hypothetical price that a willing buyer and seller agree upon when they are acting freely, carefully, and with complete knowledge of the situation.

Federal Emergency Management Agency (FEMA): An agency of the United States Department of Homeland Security. The agency's primary purpose is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state authorities.

Grantee: The term "grantee" refers to HCD.

Household: One or more persons occupying a housing unit.

HSC: means the California Health and Safety Code.

Limited English Proficiency (LEP): A designation for persons that are unable to communicate effectively in English because their primary language is not English, and they have not developed fluency in the English language. A person with Limited English Proficiency may have difficulty speaking or reading English. A LEP person benefits from an interpreter who translates to and from the person's primary language. A LEP person may also need documents written in English translated into his or her primary language so that person can understand important documents related to health and human services.

Low-Income Immigrants: “Low-income” persons means individuals, families, and households whose incomes are no more than 50% of the area median income involved, as set by HUD. From the demography point of view, the low-income working families are those earning less than twice the federal poverty line; and recent immigrants are those who came to the United States within the past 10 years.

Low- to Moderate-Income (LMI): Low to moderate income people are those having incomes not more than the “moderate-income” level (80% Area Median Family Income) set by the federal government for the HUD-assisted Housing Programs. This income standard changes from year to year and varies by household size, county and the metropolitan statistical area.

Master Standard Agreement: The contractual arrangement between HCD and the Subrecipient which sets forth the terms and conditions by which CDBG-DR funds are utilized.

Minority- and/or Women-Owned Business Enterprise (M/WBE): A business that is owned and controlled (minimum of 51% ownership) by a member of a minority group, or women.

Most Impacted and Distressed (MID): An area that meets the definition of Most Impacted and Distressed set by HUD in the Federal Register Notice. For purposes of the unmet needs allocation, HUD has defined Most Impacted and Distressed as an area (county or zip code) that meets the following criteria:

- A. Individual Assistance/Individual and Households Program (IHP) designation. HUD has limited allocations to those disasters where FEMA had determined the damage was sufficient to declare the disaster as eligible to receive IHP funding.
- B. Concentrated damage. HUD has limited its estimate of serious unmet housing need to counties and zip codes with high levels of damage, collectively referred to as “most impacted areas”. For this allocation, HUD is defining most impacted areas as either most impacted counties—counties exceeding \$10 million in serious unmet housing needs—and most impacted zip codes—zip codes with \$2 million or more of serious unmet housing needs. The calculation of serious unmet housing needs is described below.
- C. Disasters meeting the most impacted threshold. Only 2017 disasters within the threshold are funded: a. One or more most impacted county, and/or b. An aggregate of most impacted zip codes of \$10 million or greater than was declared by the President to be a major disaster area under the Stafford Act for a disaster event occurring in 2017.

National Environmental Policy Act (NEPA): Establishes a broad national framework for protecting the environment. NEPA's basic policy is to assure that all branches of government consider the environment prior to undertaking any major federal action that could significantly affect the environment.

National Flood Insurance Program (NFIP): Created by Congress in 1968 to reduce future flood damage through floodplain management and to provide people with flood insurance through individual agents and insurance companies. FEMA manages the NFIP.

NOFA: is the acronym used for **Notice of Funding Availability**. The NOFA is the document used by HCD to announce that CDBG-DR Funds are available and provides instructions for submission of applications in accordance with DR-MHP Policies and Procedures.

Program Income (PI): Program income means gross income that is directly generated from a CDBG-funded activity. Program income is subject to the CDBG rules in perpetuity.

Project: A multifamily housing development with 8 or more total units.

Project Solicitation Process (PSP): is the process implemented by Subrecipients at the local level to solicit applications from Developers for DR-MHP Projects that address one or more DR-MHP program priorities, meet DR-MHP federal, state and local requirements, and that meet locally established criteria. The local Project Solicitation Process shall set forth the Project selection schedule, local requirements in addition to the requirements set forth in this Policies and Procedures Manual, and criteria for how Subrecipients will select Projects for submission to HCD to receive DR-MHP funds.

Reconstruction: Rehabilitation: Demolishing and re-building a housing unit on the same lot in substantially the same manner. Reconstruction is rehabilitation for purposes of this section.

Responsible Entity (RE): Under the ERR requirements at 24 CFR Part 58, the term “responsible entity” (RE) means the agency receiving CDBG assistance. The responsible entity must complete the environmental review process. The RE is responsible for ensuring compliance with NEPA and the Federal laws and authorities, for issuing the public notification, for submitting the request for release of funds and certification, when required, and for ensuring the Environmental Review Record (ERR) is complete.

Scattered Site: More than one residential property on non-contiguous lots under common ownership and management.

Small Business Administration (SBA): SBA’s Office of Disaster Assistance (ODA) provides affordable, timely and accessible financial assistance to homeowners, renters, and businesses, as well as other eligible applicants. The SBA low-interest, long-term loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses.

Special Needs or Special Needs Populations: means agricultural workers, individuals living with physical or sensory disabilities and transitioning from hospitals, nursing homes, development centers, or other care facilities; individuals living with developmental disabilities, serious mental illness or substance abuse disorders; individuals who are survivors of domestic violence, sexual assault, and human trafficking; individuals who are experiencing Homelessness; individuals with HIV; homeless youth as defined in Government Code (GC) Section 12957(e)(2); families in the child welfare system for

whom the absence of housing is a barrier to family reunification, as certified by a county; frequent users of public health or mental health services, as identified by a public health or mental health agency; Frail Elderly Persons; or other specific groups with unique housing needs as determined by the Department. “Special Needs Populations” do not include seniors unless they otherwise qualify as a Special Needs Population.

Subrecipient: The term “Subrecipient” refers to a unit of local government receiving a direct award from HCD and providing grant awards to developers.

Substantial Rehabilitation: Defined in [24 CFR 5.100](#).

Supportive Housing: means housing with no limit on length of stay, that is occupied by the target population and that is linked to onsite or offsite services that assist the Supportive Housing resident in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.

Uniform Relocation Act (URA): A federal law that establishes minimum standards for federally funded programs and Projects that require the acquisition of real property (real estate) or the displacement of persons from their homes, businesses, or farms.

Section 2. Program Requirements

2.1. Eligible Applicants

The Applicant must be a jurisdiction (City or County) listed below:

- Sonoma County
- City of Santa Rosa
- Ventura County
- City of Ventura
- Mendocino County
- Yuba County
- Napa County
- City of Napa
- City of Clearlake
- Santa Barbara County
- City of Santa Barbara
- Butte County
- Los Angeles County
- Nevada County
- San Diego County

As indicated by the eligible Applicant list above, Project applications must be submitted by a city and/or county that was directly impacted by DR-4344 or DR-4353.

Eligible Applicants may submit Project applications for Projects located anywhere within the jurisdiction, including in CDBG Entitlement communities and in incorporated areas, in accordance with the Project eligibility requirements outlined in Section 2.3 below.

As needed, eligible Applicants may collaborate with other eligible Applicants or with other units of local government in the implementation of the DR-MHP. HCD must approve agreements between eligible Applicants to jointly apply for a Project or between eligible Applicants and other units of local government if program funds are included in the agreement. Agreements with other units of local government are limited to program implementation support and cannot allocate Project funding directly to other government entities.

In accordance with 83 FR 5844 Section 51(k), HCD must also assess the jurisdiction's capacity to execute and monitor the proposed Project(s) as a factor in prioritization review.

Procedures:

To consider the above counties and cities as eligible Applicants for submitting DR-MHP applications, the procedures below must be fully addressed.

1. The jurisdiction must be in compliance with the single audit requirements of 2 CFR 200.501.
2. HCD verifies if the jurisdiction is in good standing with the State of California, meaning there are no outstanding monitoring findings through other programs administered by HCD, as further defined in the NOFA.
3. The jurisdiction shall have a Certified Housing Element or show proof of effort in attaining compliance in a timely manner.
4. Jurisdictions from the above list must submit complete applications to HCD for review and approval.
5. Eligible jurisdictions must request approval from HCD to engage with other units of local government for program implementation support. Such agreements are considered subrecipient agreements and must adhere to all relevant requirements.

2.2. Eligible Activities

Pursuant to 42 USC 5305(a)(4), authorized activities under this statute include the clearance, demolition, removal, Reconstruction, and Rehabilitation of buildings and improvements (including interim assistance, and financing public or private acquisition for reconstruction or rehabilitation, and Reconstruction or Rehabilitation, of privately-owned properties). The eligibility of housing Projects is further established in 83 CFR 40315, which requires Grantees to address unmet housing recovery needs with CDBG-DR funds. Given California's housing crisis where the affordable housing inventory is critically low, and the wildfire disasters destroyed thousands of units of housing stock, many of which were rental properties, exacerbating in increasing the severity of the lack of housing, the development of affordable rental units through new construction is critical for recovery.

2.3. Project Eligibility

- A. Eligibility of multifamily housing Projects will be assessed by HCD based on specific eligibility criteria below:
 - CDBG-DR funds are limited to low to moderate income housing units. Proposed Projects may have mixed-income units, but CDBG-DR funds must only be applied to the affordable units for occupation by Low- to Moderate-Income Households.
 - The proposed Project must be located in a Most Impacted and Distressed (MID) or otherwise impacted by DR-4344 or DR-4353. Projects in MID areas will be prioritized.

- The proposed Project must have a minimum of 8 total units. If the Project is a Scattered Site Project, the Project application must include details on the Developer's experience managing Scattered Site rentals and must provide a reasonable plan to adequately supervise and maintain the properties.
 - The proposed Project must have a minimum of four affordable units or 30 percent of units must be affordable units, whichever is greater.
 - The proposed Project must meet one of the HCD Project types defined in the "[2018 Multifamily Housing Program Guidelines](#)" Article 2, Section 7302 (1-5) including, 1) Large Family, 2) Special Needs, 3) Seniors, 4) Supporting Housing, and 5) At High Risk.
 - All sources of funding required to complete the Project must be identified, documented as committed, and accessible.
 - The proposed Project must be cost reasonable, which is what a reasonable person would pay in the same or similar circumstances for the same or similar item or service. Cost reasonableness may be documented by comparing costs between vendors or to similar Projects.
 - The proposed Project must successfully meet environmental review clearance at time of application.
 - The proposed Project adheres to the Housing Element requirements listed in HSC 50829 and 50830.
 - The proposed Project must meet the following affordable rent requirements and tenant income limits through the duration of the affordability period. At a minimum, the following thresholds must be adhered to in all Projects:
 - (1) Maximum Affordable Rents (inclusive of all utility costs) shall not exceed the High HOME rents as designated for the Project area. DR-MHP units may only be leased to Households with an annual income that is less than 80% of the Area Median Income.
 - (2) Multifamily developments must meet the following affordability requirement: a minimum affordability period of 15 years for the Rehabilitation or Reconstruction of multifamily rental Projects and a minimum affordability period of 20 years for the new construction of multifamily rental units, all with 8 or more units.
 - (3) Sale of a Project during the affordability period is acceptable; however, affordability periods must still be adhered to and included as a deed restriction.
 - The proposed Project must be completed and occupied by February 2025.
 - The proposed Project must meet one of the Priority Criteria outlined in Section 2.4.
- B. Per unit maximum assistance will be consistent with annual HOME limits established by HUD. If HUD has issued a regional per-unit subsidy increase for the Project area, the alternative subsidy amount may be used, up to 240 percent of the HOME subsidy limit.

FIGURE 1: PER UNIT CDBG-DR FUNDING LIMIT

Bedrooms	HOME Funding Limit/Unit – National (2019)	HOME Funding Limit/Unit – California (Effective May 2019)	CDBG-DR Per Unit Limit
0	\$61,280	\$149,868	\$149,868
1	\$70,250	\$171,802	\$171,802
2	\$85,424	\$208,913	\$208,913
3	\$110,512	\$270,266	\$270,266
4+	\$121,307	\$296,666	\$296,666

C. The minimum award is \$200,000 per Project. Waivers to this minimum award level may be requested on a case-by-case basis to DR-MHP staff in advance of Project submission.

2.4. Project Priority Criteria

Initial prioritization will occur at the local level through the selection of Projects to propose to HCD for funding. Jurisdictions may not receive CDBG-DR funds in excess of the amounts allocated to them in section 2.9, Allocation Methodology, stated in Figure 2. Projects proposed in MID areas will be prioritized above those that are proposed outside of MID areas, and non-MID allocated funds may be used in MID areas. The jurisdiction will provide their own priority ranking for HCD to review, but HCD will require that Projects meet one of the following criteria:

- Projects providing housing for Extremely Low Income (ELI) individuals or families.
- Projects providing a greater ratio of affordable rent units to total units.
- Project accommodating “Deep Affordability” with at least 10% of units below 30% AMI.
- Projects providing permanent Supportive Housing (PSH) units. The HCD Supportive Housing Multifamily Housing Program (SHMHP) defines a PSH Multifamily Housing Project as a Project with a minimum of five Supportive Housing units, or a minimum of 40 percent of total units, whichever is greater, and must have associated supportive services for the intended target population living in the restricted units, pursuant to California Health and Safety Code Section 50675.14. If proposed Projects have fewer than five Supportive Housing units or 40 percent of total units available as Supportive Housing, these Projects will remain higher priority than a Project with a comparable number of affordable rent units.
- Projects which are providing residential units for Elderly Persons. The data shows that within DR-4344, people aged 65 and over comprise 14.3 percent of the population, 42.3 percent of whom live alone.
- Projects providing residential units for people with at least one Disability Disabled people are among the groups considered as being most vulnerable and at risk of suffering negative effects from natural disasters.

- Projects which are providing residential units for Low-Income Immigrants. Post-disaster Low-Income Immigrants face additional barriers to disaster relief based on immigration status, Limited English Proficiency, and fear of compromising future efforts for permanent legal status.

Procedures:

To prioritize a Project to be funded:

1. Jurisdictions must create their own priority ranking criteria in accordance with Project eligibility and prioritization requirements outlined in Sections 2.3 and 2.4 above. Jurisdiction priorities should not conflict with sections 2.3 and 2.4 or with the CDBG-DR requirements.
2. Jurisdictions must provide a written justification indicating how they have prioritized their Project.
3. HCD approves the highest ranked Projects based on the evaluation criteria outlined in Section 3.6 herein.

2.5. Verifying Eligible and Ineligible Costs

HCD commits to funding activities eligible under Title I of the Housing and Community Development Act of 1974 or those activities specified by waiver in [83 FR 5844](#), published February 9, 2018, [83 FR 40314](#), published August 14, 2018, [84 FR 97](#), published January 9, 2019, and [84 FR 6813](#), published February 28, 2019. Selected Projects will be funded through completion in accordance with their financing needs and program policies.

Eligible costs include:

- Activity delivery costs for Subrecipients to implement their program, including staff time and environmental reviews for funded Projects
- Architectural and engineering design (not exceed 6% of total Project hard costs)
- Permitting fees
- Developer fees (up to 10% of total eligible development costs)
- Mobilization, site prep, and clean up
- Construction, Reconstruction or Rehabilitation costs

Ineligible costs include:

- Pre-application costs and application development costs
- Land acquisition costs
- Advances of any type, including construction
- Facility operating or maintenance expenses

HCD reserves the right to question the applicability and eligibility of costs on a per-application basis. HCD will also ensure that construction or rehabilitation costs are reasonable and consistent with current market costs for the area where the multifamily construction or rehabilitation will take place.

2.6. Form of Assistance

The form of assistance from HCD to the Subrecipient shall be a grant. The form of assistance from the Subrecipient to Project Developers shall be a grant or forgivable loan. Other forms of assistance may be approved by HCD on a case-by-case basis concurrent with application review and approval. Selected Project applications will be funded to address a financial gap, not to exceed 40% of total Project cost, up to the allocation amounts by City and County listed in Section 2.9 below. Payments will be made on a reimbursement basis via a Master Standard Agreement between HCD and the Subrecipient. Specific payment terms and conditions are outlined in the Master Standard Agreement. The Master Standard Agreement will define financial and property management requirements as well as remedies to correct deficient or non-compliant Projects. Master Standard Agreements will also contain CDBG-DR recapture provisions for non-performance or breach of Subrecipient responsibility on any requirements, including adherence with CDBG-DR rules and regulations. (See Section 4 for additional information on the Master Standard Agreement).

Applying CDBG-DR Funds to Affordable Units

Considering a) the CDBG-DR commitment to finance the financial gap up to 40% of the total Project cost, b) the Affordable Units requirement of 4 units or 30% of total units (whichever is higher), and c) the HOME subsidy cost/unit:

- 1) the approved Project funding amount will be calculated according to the type of Project and number of Affordable Units; and
- 2) the funding cap will be determined by the total Project cost and number of Affordable Units.

See sample scenarios below:

Scenario A: 20-unit (2 bedroom) multifamily Project

Total Project cost: 20 units X \$80,000 (cost/unit) = \$1,600,000

Minimum required number of Affordable Units: 20 X 30% = 6 Units

Actual number of Affordable Units: 8 Units

Total Project cost of Affordable Units: 8 units X \$80,000 (cost/unit) = \$640,000

Maximum funding gap: \$1,600,000 X 40% = \$640,000

Therefore, the entire Project cost of Affordable Units up to the HOME per unit subsidy limit can be covered by CDBG-DR funds.

Scenario B: 100-unit (2 bedroom) multifamily Project

Total Project cost: 100 units X \$80,000 (cost/unit) = \$8,000,000

Minimum required number of Affordable Units: 100 X 30% = 30 Units

Actual number of Affordable Units: 50 Units

Total Project cost of Affordable Units: 50 units X \$80,000 (cost/unit) = \$4,000,000

Max. funded gap: \$8,000,000 X 40% = \$3,200,000

Therefore, CDBG-DR funds can only cover up to \$3,200,000 of the total cost of all Affordable Units.

Procedures:

After approving proposed eligible Projects:

1. HCD allocates the Project grant, not exceeding 40% of total Project cost.
2. Subrecipient submits eligible costs for reimbursement to HCD.
3. HCD makes payments on a reimbursement basis via a Standard Agreement between HCD and the Subrecipient.
4. HCD monitors construction agreements between the Subrecipient and the developer or contractor to ensure that proper financial controls and safeguards are in place to protect CDBG-DR funds.

2.7. Calculating Duplication of Benefits (DOB)

In the event a damaged or destroyed multifamily Project is being proposed for Rehabilitation or Reconstruction, a Duplication of Benefits (DOB) calculation must be completed prior to funding and prior to closing. DOB occurs when a program beneficiary receives assistance from multiple sources for a cumulative amount that exceeds the total need for a particular recovery purpose. The amount of the duplication is the amount of assistance provided in excess of the need. It is HCD's responsibility to ensure that the DR-MHP provides assistance only to the extent that the disaster recovery need has not been fully met by funds that have already been paid, or will be paid, from another source. The proposal must document all funds obtained from any source from the date of the disaster until the date of the application. Additionally, HCD, in coordination with the Subrecipient, will perform a check for Duplication of Benefit (DOB) prior to issuing an award and pre-Project closeout to ensure that duplicative assistance is not provided for multifamily housing. HCD also reserves the right to require that the Subrecipient perform additional DOB checks throughout the course of the Project's period/performance to ensure there is no duplicative assistance throughout the course of the Project. To address any potential duplication, the Master Standard Agreement will include provisions requiring repayment of any assistance later received for the same purpose as the CDBG-DR funds. This agreement must also include the following language: "Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729."

2.8. Verifying Program Income

Loan repayments are not anticipated because the form of HCD assistance is a grant to the Subrecipient and a grant or forgivable loan to the Developer. However, for other forms of assistance approved by HCD that may generate Program Income (PI), HCD manages

PI through the provisions in the Master Standard Agreement, which all Subrecipients must sign to receive funding from HCD. In the event that PI is generated, Subrecipients must report the PI to HCD through a request for payment and must expend PI prior to additional grant funds being drawn. PI may only be used for eligible Project or activity delivery costs related to the awarded Project. Subrecipients must provide monthly reports to HCD on PI generated and retained. HCD must report all PI to HUD through the DRGR Quarterly Performance Report (QPR). PI remaining at the end of each year in excess of \$35,000.00 is remitted to HCD.

Any PI remaining at the end of a Master Standard Agreement, in excess of \$35,000.00, is remitted to HCD during closeout where it is tracked and reported as revenue until it is obligated through a new Master Standard Agreement. PI held by HCD and awarded is tracked through the Grant Management System similarly to HUD grant funds.

2.9. Allocation Methodology

Funding is available to impacted Applicants based on a formula that determines a proportionate share of the total program allocation based on the impacts to that jurisdiction. HCD used a methodology to calculate the allocations based on the FEMA Individual Assistance (FEMA IA) applicants below 120 percent Area Median Income with a FEMA verified loss (FML) greater than \$0 with a major high, major low, or severe damage designation. The sum of the FEMA IA funds disbursed for each Applicant divided by the total unmet need for rental housing is the proportionate share of available funding. This allocation also ensures that nearly 95 percent of multifamily housing recovery funds are spent in MID areas.

FIGURE 2: MULTIFAMILY HOUSING RECOVERY ALLOCATION BY IMPACTED JURISDICTION

Allocation Summary	Total \$	\$ to MID	% to MID	\$ Outside of MID	% Outside of MID
Sonoma County	\$4,698,809	\$4,698,809	100%	\$0	0%
City of Santa Rosa	\$38,469,772	\$38,469,772	100%	\$0	0%
Ventura County	\$2,756,047	\$2,756,047	100%	\$0	0%
City of Ventura	\$4,601,064	\$4,601,064	100%	\$0	0%
Mendocino County	\$6,591,778	\$6,235,730	95%	\$356,048	5%
Yuba County	\$1,666,091	\$1,622,677	97%	\$43,413	3%
Napa County	\$420,094	\$0	0%	\$420,094	100%
City of Napa	\$2,889,774	\$2,851,517	99%	\$38,257	1%
City of Clearlake	\$1,157,983	\$1,157,983	100%	\$0	0%
Santa Barbara County	\$588,504	\$57,028	10%	\$531,476	90%
City of Santa Barbara	\$848,011	\$0	0%	\$848,011	100%
Butte County	\$679,013	\$0	0%	\$679,013	100%
Los Angeles County	\$590,987	\$0	0%	\$590,987	100%
Nevada County	\$424,028	\$0	0%	\$424,028	100%
San Diego County	\$405,845	\$0	0%	\$405,845	100%
Total	\$66,787,799	\$62,450,627	93.51%	\$4,337,172	6.49%

The DR-MHP allocation was calculated based on the impact to renters in disaster-affected areas.

2.10. Applying Construction Standards/Requirements

All residential construction Projects must comply with the housing construction codes of the State of California. All units developed under DR-MHP must meet these codes as well as any locally adopted codes and ordinances. Housing construction codes for building in California follow federal and state laws, regulations, and adaptations for construction of single family and multifamily units. The State Housing Law Program under HCD continuously refines the building standards to ensure they comply with new or changing laws and regulations and develops statewide building standards for new construction of all building types and accessories. The State Housing Law Program also develops the building standards necessary to provide accessibility in the design and construction of all housing other than publicly funded housing. The building standards are published as the California Building Standards Code under the California Code of Regulations, Title 24, and construction standards in the Master Standard Agreement must meet or exceed all applicable requirements for housing or building construction.

- A. **Labor Standards:** as required by Section 110 of the Housing and Community Development Act, and as outlined in HUD Handbook 1344.1 Rev 2, Federal Labor Standards Requirements in HUD Programs, Subrecipients are responsible for ensuring compliance with Davis-Bacon (DBA) requirements as well as the Copeland Anti-Kickback Act, the Contract Work Hours and Safety Standards Act (CWHSSA) and the Fair Labor Standards Act (FLSA) collectively referred to as Davis Bacon and Related Acts (DBRA). In general, DBRA requires payment of prevailing wages to laborers and mechanics on contracts, financed in whole or in part with CDBG-DR funds, that involve construction work valued in excess of \$2,000 or on residential Projects that include eight (8) or more units. Advertising for bids, bid solicitation and contracts are to incorporate Davis Bacon Labor Standards and wage determinations, "Attention of Bidders" paragraph and CDBG-DR Compliance Provisions for Construction Contracts. Please reference the state's Grant Administration Manual, Section XII(E) for additional labor standards procedures and requirements.
- B. **Section 3:** compliance requirements of Section 3 of the HUD Act of 1968 are triggered when a Grantee receives in excess of \$200,000 of HUD funds for the construction, reconstruction, conversion or rehabilitation of housing, other public construction that includes buildings or improvements assisted with CDBG-DR funds. If Section 3 of the HUD Act of 1968 is triggered for the Grantee, then contractors/subcontractors whose contracts are paid in full or in part with CDBG-DR funds and exceed \$100,000 must also comply with Section 3 of the HUD Act of 1968.

The Subrecipient shall require the Developer to:

- Prepare and utilize a Section 3 Plan for HCD.
- Designate a Section 3 Coordinator.

- Take affirmative steps to follow the Section 3 Plan and document those efforts.
- Include the Section 3 Clause and the Contractor Certification of Efforts to Fully Comply with Employment and Training Provision of Section 3 in any construction contract in excess of \$100,000.

C. **California Building Codes (CBC):** all residential construction Projects shall comply with the housing construction codes of the State of California, including all units developed under DR-MHP. Housing construction codes for building in California follow federal and state laws, regulations, and adaptations for construction of single family and multifamily units.

D. **California Green Buildings Standards Code (CALGreen):** CALGreen is California’s first green building code, enacted as mandatory in 2011, and adopted to address five divisions of building construction and improve public health, safety and general welfare. The divisions addressed are as follows: planning and design, energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality. CALGreen applies to the planning, design, operation, construction, use, and occupancy of nearly every newly constructed building or structure in the state, as well as additions and alterations to existing buildings that increase the building’s conditional area, interior volume, or size.

HCD determined that CALGreen meets the standards as equivalent comprehensive green building program per 84 FRN 4836, Section VI: “Meaning of Green Building Standard” and has received HUD concurrence. As a mandatory standard, all Subrecipients are required to follow CALGreen requirements for construction permits and approvals. Subrecipients shall ensure access to local verifications that demonstrate CALGreen compliance in the Project plans and in the constructed development at construction close out.

The CALGreen requirements and checklist are available on the State website as follows:

Guidance: <https://www.hcd.ca.gov/building-standards/calgreen/index.shtml>

Checklist: <https://www.hcd.ca.gov/building-standards/calgreen/docs/ResidentialOccupanciesAppChecklist.docx>

E. **Sustainability Requirements:** all rehabilitation, reconstruction, and new construction must be designed to incorporate principles of sustainability, including water and energy efficiency, resilience, and mitigating the impact of future disasters. Wherever feasible, the State of California follows best practices, such as those provided by the U.S. Department of Energy, Home Energy Professionals: Professional Certifications and Standard work specifications. The State of California intends to promote high quality, durable and energy efficient construction methods in areas impacted by the 2017 fires. In May 2018, the California Energy Commission adopted new building standards that will require all newly constructed homes to include solar photovoltaic systems, effective January 1, 2020. Homes built with the 2019 standards will use approximately 53 percent less energy than those built under current 2016 standards.

- F. **National Floodplain Elevation Standards:** Subrecipients and Contractors must comply with the national floodplain elevation standards for new construction, repair of substantially damaged structures, or substantial improvements to residential structures in flood hazard areas. All structures designed for residential use within a 100-year (or one percent annual chance) floodplain will be elevated with the lowest floor at least two feet above the base flood elevation level and comply with the requirements of 83 FR 5850 and 83 FR 5861.
- G. **Wildland-Urban Interface building codes (WUI codes):** California continues to be a national leader in implementing statewide policy to both prepare for climate change and reduce greenhouse gas emissions and has dedicated substantial resources to mitigating the impacts of climate change. Housing resilience measures are set forth in state legislation, including requirements for local building codes, such as the Wildland-Urban Interface building codes (WUI codes) addressing wildfire risk since 2005. Therefore, all eligible multifamily housing under this program that is located in a CAL FIRE high fire zone must comply with WUI codes, found in Title 24, Chapter 7a of the California Building Code, which offer specific material, design and construction standards to maximize ignition-resistance. All Subrecipients must require new construction to adhere to WUI standards. For more information, visit <https://www.hcd.ca.gov/building-standards/state-housing-law/wildland-urban-interface.shtml>.
- H. **Broadband Infrastructure.** Any Substantial Rehabilitation or new construction of a building with more than four rental units must include installation of broadband infrastructure, except where the Subrecipient documents that: 1) The location of the new construction or Substantial Rehabilitation makes installation of broadband infrastructure infeasible; 2) The cost of installing broadband infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden; or 3) The structure of the housing to be substantially rehabilitated makes installation of broadband infrastructure infeasible.
- I. **Resilient Home Construction Standards.** Subrecipients are strongly encouraged to incorporate Resilient Home Construction Standards, meaning that all non-substantial or Substantial Rehabilitation or new construction meet an industry-recognized standard such as those set by the FORTIFIED Home Silver and Bronze levels.
- J. **Uniform Relocation Act (“URA”).** CDBG-DR requires protections for each in-place tenant with a bona fide lease. The tenant must be given at least 90 days advance notice to move, or until the lease expires, whichever is longer.
- K. **Section 104(d).** The one for one-replacement provisions of Section 104(d) of the Housing and Community Project Act of 1974 as amended are not applicable. The remaining requirements of Section 104(d) are applicable.
- L. **Additional requirement.** If a Project site is occupied at the time the CDBG-DR application is made, the application must include an exhibit explaining either that no relocation of tenants will result, or that such relocation will be temporary (supported by an adequately documented estimate of relocation costs).

M. **Prohibition Against Eminent Domain.** A Subrecipient may not undertake any involuntary acquisition of property in connection with an eligible Project unless the HCD has given its advance written consent.

N. **Equal Opportunity Requirements and Responsibilities**

- **Title VI of the Civil Rights Act of 1964:** This act provides that no person shall be excluded from participation, denied program benefits, or subject to discrimination based on race, color, and/or national origin under any program or activity receiving federal financial assistance.
- **Title VII of the Civil Rights Act of 1968 (The Fair Housing Act):** This act prohibits discrimination in housing on the basis of race, color, religion, sex and/or national origin. This law also requires actions which affirmatively promote fair housing.
- **Restoration Act of 1987:** This act restores the broad scope of coverage and clarifies the application of the Civil Rights Act of 1964. It also specifies that an institution which receives federal financial assistance is prohibited from discriminating on the basis of race, color, national origin, religion, sex, Disability or age in a program or activity which does not directly benefit from such assistance.
- **Section 109 of Title 1 of the Housing and Community Development Act of 1974 [42 U.S.C. 53091]:** This Section of Title 1 provides that no person shall be excluded from participation (including employment), denied program benefits, or subject to discrimination on the basis of race, color, national origin, or sex under any program or activity funded in whole or in part under Title 1 of the Act.
- **The Fair Housing Amendment Act of 1988:** This act amended the original Fair Housing Act to provide for the protection of families with children and people with disabilities, strengthen punishment for acts of housing discrimination, expand the Justice Department jurisdiction to bring suit on behalf of victims in federal district courts, and create an exemption to the provisions barring discrimination on the basis of familial status for those housing developments that qualify as housing for persons age 55 or older.
- **Section 504 of the Rehabilitation Act of 1973:** It is unlawful to discriminate based on Disability in federally assisted programs. This Section provides that no otherwise qualified individual shall, solely by reason of his or her Disability, be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving federal funding assistance. Section 504 also contains design and construction accessibility provisions for multi-family dwellings developed or substantially rehabilitated for first occupancy on or after March 13, 1991

- **The Housing for Older Persons Act of 1995 CHOPAI:** Retained the requirement that the housing facilities must have one person who is 55 years of age or older living in at least 80% of its occupied units. The act also retained the requirement that housing facilities publish and follow policies and procedures that demonstrate intent to be housing for persons 55 or older.
- **The Age Discrimination Act of 1975:** This act provides that no person shall be excluded from participation, denied program benefits, or subject to discrimination on the basis of age under any program or activity receiving federal funding assistance. Effective January 1987, the age cap of 70 was deleted from the laws. Federal law preempts any State law currently in effect on the same topic including: KRS 18A.140; KRS 344.040; 1 01 KAR 1 :350 Paragraph 11; 1 01 KAR 1 :375 Paragraph 2(3); 101 KAR 2:095 Paragraphs 6 and 7.
- **The Americans with Disabilities Act of 1990 ADA:** This act modifies and expands the Rehabilitation Act of 1973 to prohibit discrimination against "a qualified individual with a Disability" in employment and public accommodations. The ADA requires that an individual with a physical or mental impairment who is otherwise qualified to perform the essential functions of a job, with or without reasonable accommodation, be afforded equal employment opportunity in all phases of employment.
- **Executive Order 11063:** This executive order provides that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in housing and related facilities provided with federal assistance and lending practices with respect to residential property when such practices are connected with loans insured or guaranteed by the federal government.
- **Executive Order 11259:** This executive order provides that the administration of all federal programs and activities relating to housing and urban development be carried out in a manner to further housing opportunities throughout the United States.
- **Executive Order 11246:** This executive order applies to all federally assisted construction contracts and subcontracts. It provides that no person shall be discriminated against on the basis of race.
- **The Equal Employment Opportunity Act:** This act empowers the Equal Employment Opportunity Commission (EEOC) to bring civil action in federal court against private sector employers after the EEOC has investigated the charge, found "probable cause" of discrimination, and failed to obtain a conciliation agreement acceptable to the EEOC. It also brings federal, state, and local governments under the Civil Rights Act of 1964.

- **The Immigration Reform and Control Act (IRCA) of 1986:** Under IRCA, employers may hire only persons who may legally work in the U.S., i.e., citizens and nationals of the U.S. and aliens authorized to work in the U.S. The employer must verify the identity and employment eligibility of anyone to be hired, which includes completing the Employment Eligibility Verification Form (1-9).
 - **The Uniform Guidelines on Employee Selection Procedures adopted by the Equal Employment Opportunity Commission in 1978:** This manual applies to employee selection procedures in the areas of hiring, retention, promotion, transfer, demotion, dismissal and referral. It is designed to assist employers, labor organizations, employment agencies, licensing and certification boards in complying with the requirements of federal laws prohibiting discriminatory employment.
 - **The Vietnam Era Veterans' Readjustment Act of 1974 (revised Jobs for Veterans Act of 2002):** This act was passed to ensure equal employment opportunity for qualified disabled veterans and veterans of the Vietnam War. Affirmative action is required in the hiring and promotion of veterans.
- O. **Lead Based Paint Hazards:** Activity(ies) performed with assistance provided by HCD are subject to lead-based paint hazard regulations contained in Title 8 (Industrial Relations) and Title 17 (Public Health) of the CCR and 24 CFR, Part 35 (Lead Disclosure). Any grants or loans made by the Subrecipient with assistance provided under this program shall be made subject to the provisions for the elimination or mitigation of lead-based paint hazards under these regulations. The Subrecipient shall be responsible for the notifications, inspections, and clearance certifications required under these regulations

2.11. Minimizing Land Acquisition/Relocation

If acquisition and/or relocation is required, Subrecipients shall make every effort to minimize displacement of families from their home and/or neighborhood, according to the state's Residential Anti-displacement and Relocation Assistance Plan. Additionally, compliance with Federal Acquisition and Relocation laws will be required. Please reference the state's CDBG-DR Grant Administration Manual, Section XIV for additional acquisition and relocation procedures and requirements.

Projects shall be designed with the established community in mind to lessen the displacement of families and must commit to the affordability periods of 15 and 20 years according to the Project type. Subrecipients helping to administer multifamily housing Projects may either follow the state's Residential Anti-displacement and Relocation Assistance Plan (RARAP) to minimize displacement or develop its own plan with the state's and public's approval. Details on affordable rent requirements, tenant income limits, and minimum affordability period can also be found under Section III, part 1(e) in HCD's Action Plan.

2.12. Affirmative Marketing Plan

Developers advertise Projects and units to fill vacant units or to develop a waiting list of interested applicants for the subsidized housing. DR-MHP applications must include an Affirmative Marketing Plan developed using the Affirmative Fair Housing Marketing Plan Form HUD-935.2A. Affirmative Marketing involves special outreach and advertising efforts designed to communicate the availability of DR-MHP assisted housing to those groups or individuals who might otherwise be unlikely to apply. Those groups are identified through analysis of local housing market area demographics using statistics readily available from the U.S. Census Bureau and determining appropriate advertising and outreach efforts to be followed by Developers to reach out to those least likely to apply for the housing opportunity. Affirmative marketing efforts must begin at least 90 days prior to initial or renewed occupancy for new construction and Substantial Rehabilitation Projects, respectively.

HCD has determined that in addition to the required demographic analysis, individuals and families that were impacted by the disasters and Section 8 Housing Choice Voucher holders are least likely to apply. Examples of renters impacted by the disasters include renters that have lost rental units or have been displaced due to the impacts of DR-4344 and DR-4353.

Procedures:

To prepare the Affirmative Marketing Plan:

1. Developers shall download [Form HUD-935.2A](#).
2. Review the form and its instructions.
3. Identify the Census Tract where the housing is located.
4. Determine the Census Tract(s) that comprise the Housing Market Area (generally multiple Census Tracts comprising a City or portion of a County). Develop a map to represent this market area. CPD Maps may be used for this purpose.
5. Determine the Census Tract(s) that comprise the Expanded Housing Market Area (generally multiple Census Tracts that comprise an entire County and often areas that extend beyond jurisdictional boundaries).
6. Using CPD Maps or U.S. Census Bureau data, complete Form HUD-935.A Worksheet 1, listing the number of residents in each category (existing Project residents if applicable, Project wait list applicant data if applicable, residents of the Census Tract, residents of the designated Housing Market Area, and finally residents of the Expanded Housing Market Area).
7. Based on the data evaluation in Worksheet 1, to identify any under-representation of certain demographic groups in terms of race, color, national origin, religion, sex, familial status, or Disability. If there is significant under-representation of any demographic group among Project residents or current applicants (for existing housing) in relation to the housing/expanded housing market area, then targeted outreach and marketing should be directed towards these individuals least likely to apply. To identify underrepresented groups least likely to apply for housing in newly constructed Projects that do not currently have existing occupants or waitlists, evaluate the Census Tract data against the Housing Market Area and the

Expanded Housing Market Area to identify underrepresented groups in the Census Tract. Note that individuals and families that were impacted by the disasters and Section 8 Housing Choice Voucher holders shall be considered among those who are under-represented and least likely to apply.

8. Worksheet 2 shall not be used. Residency Preference Areas shall not be established for DR-MHP Projects.
9. Complete Worksheet 3 to identify each targeted underrepresented population and the specific community contacts to be consulted for the purpose of effectuating Affirmative Marketing. To reach out to individuals and families that were impacted by the disasters and to Section 8 Housing Choice Voucher holders, the AFHMP shall, to the extent feasible, identify non-profit caseworkers who were on the ground during the disaster, contact area public housing agencies, advertise through TV/Radio/Newspapers/Billboards/211 system. Within the interest list and application, data shall be collected to determine if a prospective applicant was impacted by the disasters or is a Section 8 Housing Choice Voucher holder.
10. Complete Worksheet 4 to identify appropriate advertising methods (publications, outlets) for each targeted population.
11. Review and update the AFHMP every five years, or when there are significant changes to the demographics of the Project or the local housing market area.

Applications shall also demonstrate that the proposed Projects will affirmatively further fair housing and adequate tenant market, which are likely to lessen area racial, ethnic, and low-income concentrations, and/or promote affordable housing in low-poverty, nonminority areas in response to natural hazard related impacts.

2.13. Meeting a National Objective

In accordance with 24 CFR 570.208, all CDBG-DR funded activities must satisfy a national objective. For DR-MHP, all Projects must meet the low to moderate income housing (LMH) national objective, which requires that 51% of units are designated as LMH. Proposed Projects that do not have more than 51% of units as LMI may only be funded for the proportional amount of assisted units. While proposed Projects may be mixed-income units, CDBG-DR funds are limited to the Affordable Units for occupation by Low- to Moderate-Income Households in accordance with the policies in Section 2.6.

2.14. Completing Environmental Review

An environmental review must be performed on the property prior to federal funds being committed or disbursed by HCD and Subrecipients. The environmental review shall document compliance with 24 CFR Part 58, NEPA, and all related laws, authorities, and executive orders. For DR-MHP, each Subrecipient is the Responsible Entity and must request complete Environmental Review Records to HCD to grant the authority to use funds. Pursuant 83 FRN 40314, HCD may accept another federal agency's environmental review. Subrecipients are also responsible for ensuring compliance with CEQA, including the submission or designation of applicable waivers to the CEQA Clearinghouse with a copy to HCD. No work may start on a proposed Project, or proposed site acquisition, if applicable, before both the federal and state environmental review

processes are completed, even if that work/acquisition is being done using non-federal funds. The DR-MHP will not reconstruct or rehabilitate housing units that have been determined to have a Finding of Significant Impact (FOSI).

Subsequent to submission of an application by a developer to a Subrecipient for the use of DR-MHP funds, there can be no **choice-limiting actions** on the part of the developer/owner until environmental clearance is received, and a clearance letter is issued by the Department. The concept of prohibiting “**choice-limiting**” actions is to prevent the developer from investing in a Project before all necessary environmental clearances are obtained. Market studies, environmental studies, plan development, engineering or design costs, inspections and tests are not considered “choice-limiting” actions. “**Choice-limiting actions**” are defined as any activity that would have an adverse environmental impact or limit the choice of reasonable alternatives, such as acquisition by the developer/owner (or any subsidiary of the developer), construction, demolition of buildings, or rehabilitation or reconstruction of buildings. Per 24 CFR Part 58.22, failure to comply with the prohibition against committing funds or taking physical action (using either HUD funds or non-HUD funds) before the completion of the environmental review process could result in loss of HUD assistance, cancellation of the Project, reimbursement by the developer/owner to HUD for the amount expended, or suspension of the disbursement of funds for the affected activity.

Procedures:

To process the environmental review for each Project:

1. Subrecipients must submit all Environmental Review Records (ERRs) to HCD for review at the time of submission of the application, and request for release of funds (RROF), if applicable.
2. Upon review and approval, HCD will provide Subrecipient with an Authority to Use Grant Funds (AUGF), if applicable.
3. Upon receipt of AUGF and release of the Notice to Proceed, Subrecipient may incur Project costs and drawdown funds.

Section 3. Project Solicitation, Selection, and Submission

3.1. Project Solicitation Process

Subrecipients must develop a local solicitation to provide opportunity for Developers to submit potential Projects and be selected through an open and competitive process. Subrecipients must submit the draft of their solicitation to HCD for review and approval no less than 2 weeks prior to releasing the solicitation to the public. The solicitation and selection process must adhere to the applicable requirements set forth in 2 CFR 200.200-213 and Appendix II: Contract Provisions.

Appendix A herein, Subrecipient Project Solicitation Checklist, provides a list of solicitation and application requirements as a framework for Subrecipients to ensure Developers are in compliance with the federal and state regulations and Projects can be adequately evaluated. The checklist includes the minimum federal and state requirements that Subrecipients must instruct Developers to comply with. Subrecipients may add Project and solicitation requirements beyond the minimum required by the program.

Subrecipients are not required to use a specific solicitation template or format. HCD will accept solicitation formats and forms used for other funding sources as long as all federal and state requirements, identified in the checklist, are addressed. For Subrecipients that do not have a solicitation format that has been used previously, HCD recommends utilizing the sample provided in HUD's CDBG-DR Toolkit: <https://www.hudexchange.info/resources/documents/Disaster-Recovery-Multifamily-Rental-Project-Specific-RFP.docx>

Subrecipients may keep the solicitation open on a rolling basis until all Project funds have been allocated to Projects or through December 2021, whichever comes first.

3.2. Project Selection Requirements

Subrecipients must review and evaluate Projects submitted through the local Project Solicitation Process. The local selection process must include the following reviews at a minimum: eligibility review, assessment of long-term Project viability, verification of financial feasibility and cost reasonableness, Project timeliness and schedule, and Developer capacity. The evaluation should be consistent with HCD's prioritization criteria and any local evaluation, selection, or underwriting criteria included in the local Project Solicitation Process.

Appendix B herein, the DR-MHP HCD Project Underwriting Checklist, provides the program's underwriting standards to ensure Projects are feasible, viable, and in compliance. HCD accepts existing underwriting and selection criteria from Subrecipients and from other funding sources to the Project (LIHTC, HOME, etc.), so long as there is no conflict with the DR-MHP underwriting standards. This acceptance includes, but is not limited to, the following underwriting criteria: vacancy rates, total debt service coverage ratio, operating expense coverage ratio, Developer fee, initial reserves, rent up reserve, operating deficit reserve (ODR), replacement reserve, other reserves, and residual

receipts. Subrecipients should ensure their Project Solicitation Process collects sufficient information for DR-MHP to conduct its underwriting.

There may be some limited cases where a Subrecipient does not have underwriting guidelines and a Project does not have another public source of funds. For these limited situations, HCD recommends the Subrecipient utilize the underwriting and selection criteria identified in HCD's Uniform Multifamily Regulations (Cal. Code Regs., tit. 25, § 8300 et seq.) (the "UMRs") incorporated here by reference and located at the following link: <https://www.hcd.ca.gov/grants-funding/already-have-funding/uniform-multifamily-regulations.shtml#faq>

Subrecipients must retain documentation and records for each solicitation under DR-MHP. Records should include a detailed description of the selection process used, copies of all submissions, and documents pertaining to evaluation and selection. These files may be requested during routine monitoring or as a part of a Project appeal. If a Subrecipient allows for a rolling application process, the selection process should include a minimum threshold that must be met to submit the Project for funding to HCD.

3.3. Existing Solicitation and Project Selections

HCD recognizes that some Subrecipients may have completed a solicitation for Projects in anticipation of the DR-MHP funding, following the notice of a program allocation in the 2017 Action Plan, and in advance of these DR-MHP policies and procedures. HCD will review these solicitations on a case-by-case basis to determine if the solicitation adheres to the program requirements. Subrecipients that completed an advanced solicitation should reach out to DR-MHP staff to discuss the review process.

3.4. Project Submissions

DR-MHP accepts applications from the date of the NOFA through the end of 2021. HCD reviews submissions on a rolling basis and generally anticipates providing approval within 60 days of submission, or requests additional information within 15 days of application receipt. The HCD review process ensures compliance with regulatory requirements and broader recovery goals and verifies there is sufficient funding remaining in a Subrecipient's allocation to make an award.

Subrecipients must follow the [Grants Network](#) application portal to submit Project applications for specific development Projects. Project applications to HCD must be authorized by a resolution of the Subrecipient's governing board. If allowed by local policies, HCD can accept a resolution from the governing board authorizing specific Subrecipient staff to submit on the Subrecipient's behalf.

Procedures:

To submit an application upon release of a NOFA and related forms by HCD, the following steps are required:

1. A Master Standard Agreement must be executed between HCD and Subrecipient.

2. Subrecipient must establish a solicitation (e.g. through a NOFA or similar solicitation process) to identify and select Projects within their jurisdiction and prioritize the use of CDBG-DR funds based on the prioritization criteria outlined in Section 2.4 above and the need for gap assistance in the form of a CDBG-DR grant.
3. Subrecipients must submit a draft solicitation to DR-MHP for review before release. DR-MHP (review is estimated to take two weeks).
4. Subrecipient must evaluate Projects in accordance with the local solicitation requirements and in accordance with the requirements outlined in Appendix B.
5. Subrecipient must submit a completed application for each Project through HCD's Grants Network for review and approval before the submission deadline specified in the NOFA.
6. HCD may request additional information in order to verify program compliance prior to approving an application.

3.5. Evaluating Applications

The DR-MHP Review Board evaluates all aspects of the Project, including: scope, budget, eligibility, environmental review, and compliance with the eligibility requirements outlined in Section 2 above. The Review Board consists of three to five HCD staff members and may be assisted by additional staff or subject matter experts. The DR-MHP Manager shall chair the Review Board. The Review Board performs an underwriting analysis to determine the financial feasibility and amount of requested funds needed for a Project to arrive at an appropriate level of CDBG-DR funds. Review Board decisions shall be unanimous. If consensus cannot be reached in favor or against an application, an Issue Memo shall be developed by the dissenting Board Members and submitted to the CDBG-DR Section Chief for consideration and further discussion until consensus is achieved. Once consensus is achieved, the Project will be submitted to an authorized person of Division Leadership for final approval. Upon approval, the decision shall be documented in a letter to the Subrecipient and Developer. The Developer and Subrecipient shall have the right to appeal (refer to Section 3.10 below).

3.6. Underwriting Analysis

Prior to making an award, HCD conducts an application review and underwriting analysis to evaluate a Project to ensure that the CDBG-DR investment does not exceed the amount that is necessary to provide quality, affordable housing that will be financially viable for the required affordability period. The underwriting criteria is detailed in Appendix B: DR-MHP Development Application Review and Underwriting Checklist. Generally, this review and analysis includes:

- Examining the sources and uses of funds for the Project to determine that the costs are reasonable and that the Project will generate sufficient cash flow during the affordability period to satisfy debt and other obligations. Review the assumptions

for vacancy rate and annual rent increases to determine if those assumptions are reasonable.

- Performing a cost allocation to determine the minimum number of CDBG-DR assisted units and/or the maximum permissible amount of CDBG-DR investment for the Project, not to exceed 40% of the total Project cost. An appropriate HOME cost allocation methodology will be used.
- Confirming that all CDBG-DR funds are used exclusively for the construction of Affordable Units.
- Verifying that there are firm written financial commitments for the Project that, along with the CDBG-DR gap funding would allow the Project to be completed and occupied.
- Analyzing the Project's financial feasibility to meet the required affordability period.
- Evaluating the supplied Market Assessment to verify that there is currently market demand in the neighborhood in which the Project will be located. The level of review of the market assessment and HCD's determination of its sufficiency shall account for Project scale and complexity.
- Evaluating the qualifications of the Developer, including experience and financial capacity. Qualified Developers must have completed at least three multifamily developments, at least one of which includes affordable rental units.

Additional evaluation criteria include:

- The application package is complete pursuant to Sections 3.1 and 3.2 above.
- The Subrecipient's capacity to monitor the proposed Project(s), manage funds, and comply with CDBG-DR requirements.
- The level of Project readiness and ability to meet the 2025 occupancy timeline:
 - Completion of HUD and NEPA-compliant Environmental Review Record and adoption or certification of CEQA reviews;
 - Receipt of all necessary land use approvals or entitlements prior to issuance of a building permit, including any required discretionary approvals, such as site plan review or design review.
 - Submission of a letter signed by a certified planner indicating that, the Project meets all requirements for approval under a nondiscretionary local approval process.

Procedures:

To conduct the Development Application Review and Underwriting process, the following steps are required by the DR-MHP Review Board:

1. Perform a review of the development application for compliance with the submission requirements.
2. Perform a review of the development application and supporting documents to determine if the proposed development meets the DR-MHP requirements.

3. Perform basic development underwriting for all Project submissions. Note that the numerical standards in this section are benchmarks. If the proforma does not conform to these benchmarks, the application may include a request for waiver based on the specific economics of the Project.
4. Obtain evidence of advanced development underwriting (e.g., from the California Tax Credit Allocation Committee for tax credit Projects or from other funding sources with similarly stringent underwriting standards).
 - a. If no other public funding source is underwriting the Project, request that the Developer supply a completed State of California Universal Application for the Development of Affordable Rental Housing.
 - b. Complete underwriting in accordance with UMR standards.

3.7. Coordination with Other Funders

DR-MHP focuses on ensuring eligible and feasible Projects that meet the CDBG-DR requirements and can be developed within the grant expenditure timeline. HCD will generally accept other lenders and funders underwriting terms and defer to the HCD Universal Application and standards if there are no other funder or lender requirements for the Project. In cases where there are other funders, DR-MHP funds will be subordinate in accordance with the level of investment relative to other funding.

3.8. Project Approval and Notice to Proceed

HCD anticipates Project approval to be announced within 60 days of the DR-MHP Review Board's receipt of Project applications. Project approvals are issued through the Grants Network application portal. Subrecipients will be informed of additional closing conditions or outstanding items needed in order for HCD to release a Notice to Proceed (NTP).

Project applications that are rejected are also announced to the Subrecipient through the Grants Network application portal. Rejected applications may be revised and submitted for a subsequent review, in consultation with DR-MHP staff.

3.9. Appeals

In cases where Projects are not approved to receive funding, Subrecipients have the right to appeal the DR-MHP Review Board's determination. The Subrecipient must submit their appeal in written form, within 60 days from the award announcement date, via mail to HCD at:

*Department of Housing and Community Development (HCD)
DR-MHP Appeals
P.O. Box 952054
Sacramento, CA 94252-2054*

An authorized person of HCD Leadership shall review the appeal and then discuss the merits of the appeal with the CDBG-DR Section Chief and the DR-MHP Review Board

before rendering an independent decision concerning the appeal. The decision of the authorized person of HCD Leadership shall be final.

Additionally, Subrecipients shall establish an appeal method for Developers who are not selected through their solicitation process and are asking for reassessment. Subrecipients shall describe the appeal procedure, submission deadline, submission method, digital or physical address of recipient, and review period in their solicitation documents.

Section 4. Program Operation

4.1. Legal Documents

A. HCD shall enter into a Master Standard Agreement with the Subrecipient constituting a conditional commitment of funds. This agreement will define financial and property management requirements as well as remedies to correct deficient or non-compliant Projects. The agreement will also contain CDBG-DR recapture provisions for non-performance or breach of Subrecipient responsibility on any requirements, including adherence with CDBG-DR rules and regulations. The Master Standard Agreement shall contain, but not be limited to, the following:

- A description of the Subrecipient's program implementation responsibilities, including but not limited to, Project solicitation, selection, and submission;
- The amount and terms of the fund;
- Provisions governing the construction or rehabilitation work;
- Terms and conditions required by federal or state law;
- The approved schedule of the program;
- The approved program budget;
- Manner, timing and conditions for disbursement of Project funds;
- Reporting and recordkeeping requirements, defining the specific reports and the reporting dates, along with the particular records and the timeline for maintaining them in order to assist HCD in meeting HUD's recordkeeping and reporting requirements.
- Terms and conditions for the inspection and monitoring of the Project in order to verify compliance with the requirements of the program;
- Provisions regarding tenant relocation;
- Provisions regarding the recapture of funds;
- Requirements for multiyear property and hazard insurance policies;
- Provisions relating to the erection and placement on or in the vicinity of the Project site a sign indicating that HCD has provided financing for the Project. HCD may also arrange for publicity of the program funds in its sole discretion;
- The form of the Notice to Proceed, the Development Agreement Rider, and the Regulatory Agreement; and
- Other provisions necessary to ensure compliance with the requirements of the DR-MHP.

B. Upon HCD approval of individual Projects, HCD will issue a Notice to Proceed (NTP) to the Subrecipient. The NTP is a binding document, approved as to form as a component of the Master Standard Agreement, that amends the allocation agreement between the Subrecipient and HCD by committing funds to a specific Project. The NTP includes Project details, including but not limited to:

- A description of the approved Project and the permitted uses of program funds;
- The approved Project development budget and sources and uses of funds and financing;

- Number of units and Affordable Units
- The approved schedule of the Project, including land acquisition, if any, commencement and completion of construction or rehabilitation work, and occupancy by eligible Households;
- Performance milestones
- Performance penalties

C. Upon issuance of the NTP, HCD will ensure the DR-MHP Rider is included with the Development Agreement between the Subrecipient and Developer. The Rider includes HUD, CDBG-DR and State requirements for Developers. Additionally, HCD provides Subrecipients with a Regulatory Agreement to be recorded against the property that will enforce requirements on affordability periods, restricted units, income targeting, rents, property standards, and records and reports. Templates for both the Rider and Regulatory Agreement are included in the Master Standard Agreement.

4.2. Procurement

Subrecipients are required to adopt procurement procedures as required in 2 CFR 200.318 - 326. All procurement transactions funded in whole or in part with CDBG-DR funds, regardless of dollar amount, must be conducted to provide “maximum open and free competition”. 2 CFR 200.318(i) requires that Subrecipients maintain records sufficient to detail the significant history of each procurement.

All contracts and agreements procured by the Subrecipient for use under the DR-MHP program must be reviewed and approved by HCD. For new contracts, the HCD approval should occur prior to execution. For previously procured contracts that are active, the Subrecipient must provide the procurement file to HCD for review and verification of compliant procurement that conforms to the minimum requirements found at 2 CFR 200.318 – 326 prior to expending DR-MHP Funds under said contract. HCD’s approval of the procurement and contract shall be issued in writing.

4.3. Disbursement of Funds

Payments will be made directly to Subrecipients as reimbursements based on the documented completion of agreed upon Project milestones, as outlined in the standard agreement. Reimbursement-based means that activity delivery and Project costs must be incurred by the Subrecipient and/or Developer and documented as required by the terms of the standard agreement for payment of invoices. Please see the state’s CDBG-DR Grant Administration Manual, Section V for additional financial management procedures and requirements.

4.4. Recapture of Funds

A Subrecipient and/or Developer may be required to repay all, or a portion of the funds received. The reasons for recapture include, but are not limited to the following:

- A Subrecipient does not comply with the terms of the standard agreement;
- A Subrecipient and/or Developer withdraws from the Program prior to completion of the Project and fails to meet a national objective;
- A Developer does not meet the affordability requirements for the period specified in Section 2.3 above.
- A Subrecipient and/or Developer is found to have used program funds for an ineligible activity or cost; and/or,
- A Developer does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other Duplication of Benefits received after award.
- Funds are remaining after the Project is completed, the expenditure deadline has passed, or the Master Standard Agreement has expired.

The method of recapturing funds and the timeframe for doing so are determined on an individual Project basis. However, the recapture method and timeframe will be consistent with 2 CFR part 200 or other applicable cost principles. Complete recapture provisions will be included in the standard agreement with the Subrecipient and must also be included in any agreements between the Subrecipient and Developer.

4.5. Project Management

Developers will operate the approved multifamily housing Project(s) in accordance with local requirements, the Disaster Recovery Multifamily Housing Program Policies and Procedures Manual, and as set forth in the Master Standard Agreement between HCD and the Subrecipient. The Subrecipient's role will include the selection of qualified Developers, Project oversight, environmental reviews, compliance monitoring (including Section 3 and applicable labor and wage requirements), construction oversight, and Project closeout. The Subrecipient can open solicitations to qualified Developers, defined as having completed at least three multifamily developments, at least one of which included affordable rental units.

Multifamily Projects funded under this CDBG-DR grant will adhere to standard requirements set by HCD to ensure compliance, as well as specific requirements set by the governing federal income limits. HCD will provide technical assistance to Subrecipients to ensure compliance with CDBG-DR requirements and consistency with the Disaster Recovery Multifamily Housing Program Policies and Procedures Manual. In addition, regular monitoring of the Subrecipient and specific Projects will be conducted to test compliance and ensure timely Project completion. Subrecipients shall ensure their Developers are in compliance with CDBG-DR requirements and shall perform ongoing monitoring of the Developer as well.

- A. The Developer shall be responsible for all management functions of the multifamily housing development including construction, rehabilitation, maintenance, selection of the tenants, annual recertification of Household income and size, and managing the units in accordance to program requirements.

- B. The Developer is responsible for all repair and maintenance functions of the multifamily housing development, including ordinary maintenance and replacement of capital items. The Developer shall ensure maintenance of residential units, commercial space and common areas in accordance with local health, building, and housing codes, and the management plan.
- C. The Developer shall ensure that the Multifamily Housing Development is managed by an entity approved by Subrecipient that is actively in the business of managing affordable housing. Any management contract entered into for this purpose shall be subject to Subrecipient approval and contain a provision allowing the Developer to terminate the contract upon 30-days' notice. The Developer shall terminate said contract as directed by Subrecipient upon determination that management does not comply with program requirements.
- D. The Developer shall develop a management plan subject to Subrecipient approval prior to the start of construction. Any change to the plan shall be subject to the approval of Subrecipient. The plan shall be consistent with program requirements and should include the following:
- The role and responsibility of the Developer and its delegation of authority;
 - Personnel policy and staffing arrangements;
 - Plans and procedures for publicizing and achieving early and continued occupancy;
 - Procedures for determining tenant eligibility and selecting tenants and for certifying and annually recertifying Household income and size;
 - Plans for carrying out an effective maintenance and repair program;
 - Rent collection policies and procedures;
 - A program for maintaining adequate accounting records and handling necessary forms and vouchers;
 - Plans for enhancing tenant-management relations;
 - The management agreement, if any;
 - Provisions for periodic update of the management plan;
 - Appeal and grievance procedures;
 - Plans for collections for tenant-caused damages, processing evictions and terminations; and
 - A supportive services plan for Projects serving Special Needs Populations, including Supportive Housing and/or providing Supportive Services to the general tenant population.

4.6. Performance Goals

Performance goals shall be in accordance with the timeline set forth in Section 1.2.

- A. Specific performance goals and performance penalties for Subrecipients will be outlined in the Master Standard Agreement.

- B. Specific performance goals and performance penalties for the Developer will be outlined in the Notice to Proceed on a Project by Project basis.

4.7. Reporting Requirements

- A. Subrecipients will be required to submit reports at times indicated in the Master Standard Agreement, in accordance with HUD reporting requirements, and via HCD's Grants Network. At a minimum, during the term of the Master Standard Agreement, on a monthly basis the Subrecipient shall submit to HCD a progress report which addresses the following topics:
- A description of the current status of the Project activity, including number of units leased, and Households assisted.
 - A description of activities to be undertaken in the next reporting period.
 - A description of problems or delays encountered in Project implementation and course of action taken to address them.
 - A description of actions taken to achieve Project expenditure deadlines.
 - A summary of Project fiscal status, including:
 - Award amount,
 - Funds drawn, and,
 - Remaining balance.
- B. At any time during the term of the Master Standard Agreement, HCD may perform or cause to be performed an independent financial audit of any and all phases of the Subrecipient's Project(s). At HCD's request, the Subrecipient shall provide, at its own expense, a financial audit prepared by a certified public accountant.

4.8. Providing Technical Assistance

HCD provides various types of technical assistance (TA) to Subrecipients and vendors throughout the program from the release of the NOFA to Master Standard Agreement closeout. The objective/s of technical assistance is/are to initially aid the Subrecipient and vendors to clearly understand the NOFA details and appropriately submit the application. Also, TA assists Subrecipients to maintain their day-to-day compliance with federal and state regulations and program requirements as they administer relevant programs. In addition, HCD performs a risk assessment to determine a Subrecipient's capacity and to identify deficiencies in complying with HUD requirements. According to the risk assessment results, HCD provides technical assistance, monitoring and helpful information to Subrecipients to improve their performance, develop or increase capacity, and augment management and technical skills. Some examples of technical assistance include: verbal or written advice, formal training and workshops, and documentation and guidance. In addition, Subrecipients should contact HCD if assistance is needed when providing technical assistance to their Developers/Contractors.

4.9. Monitoring and Compliance

HUD describes monitoring as an integral management control standard and requires any entity receiving HUD funding to monitor and evaluate program performance and compliance, see CDBG Regulation 24 CFR 570.501(b) and Office of Management and Budget (OMB) Uniform guidance at 2 CFR 200 effective July 1, 2015. Therefore, HCD monitors all DR-MHP activities. HCD is required to ensure that its Subrecipients comply with all regulations governing administrative, financial and programmatic operations, and that they achieve performance objectives on time and within budget. Monitoring enables HCD to verify compliance with both regulatory and performance requirements.

- A. Subrecipients. HCD requires the Subrecipients to develop their own monitoring plan. Therefore, Subrecipients are responsible for carrying out their Projects to meet these compliance requirements, including: monitoring their Developers, Contractors and subcontractors, and routine inspections of the DR-MHP Projects during the affordability period. Monitoring of Subrecipients may include on-site visits to the Subrecipient's offices or desk monitoring at HCD. Please see the state's CDBG-DR Grant Administration Manual, Section XVI for additional monitoring and compliance procedures and requirements.
- B. Developers. All completed Projects require annual compliance monitoring during the period of affordability. The Subrecipient shall establish a Project monitoring schedule to ensure that physical property, program, and financial compliance happens as outlined in the monitoring plan.
 - Physical Monitoring: Physical inspections should include the inspection of the exteriors of all buildings and common areas, and the inspection of the interiors of income restricted units to ensure compliance with HUD Housing Quality Standards (HQS).
 - Program Monitoring: The Subrecipient will meet with the development's management staff and review performance under the contract for the following topics:
 - Initial Affordable Rents and subsequent rents during the period of affordability
 - Initial and annual certification of tenant income
 - LMI benefit (minimum 4 or 30% Affordable Units)
 - Affirmative Marketing requirements
 - Fair Housing requirements
 - Financial Monitoring: Subrecipients shall annually review the development's financial statements to ensure the development continues to be operated in a fiscally responsible manner, addressing all debt service obligations and adequately funding Project reserve accounts.

4.10. Grant Closeout

The closeout of a grant is a process through which HUD determines that all applicable administrative and program requirements of the grant were completed. In general, a grant is ready for closeout when the following conditions are met:

- All eligible activities were completed and met a national objective.
- All grant funds were expended in full or all remaining funds are planned to be returned to HUD.
- All reporting requirements were completed and submitted (except for the final report that is submitted during the closeout process, if applicable).
- Any special conditions of the grant were met.
- All audit and monitoring issues affecting the grant were resolved.

Subrecipients are required to retain all books and records pertaining to the CDBG-DR Projects for at least five (5) years from the closeout date of the HCD grant agreement with HUD. HCD notifies Subrecipient

Community Development Block Grant - Disaster Recovery
Disaster Recovery Multifamily Housing Program
Policies and Procedures Manual

Appendices

Appendix A. Subrecipient Project Solicitation Checklist

Appendix B. DR-MHP Development Application Review and Underwriting Checklist



Disaster Recovery Multifamily Housing Program Subrecipient Project Solicitation Checklist

The following content is required to be included in the Subrecipient's project solicitation. Please complete this checklist, attach to your draft project solicitation, and submit to DR-MHP staff for review and approval 2 weeks prior to publishing.

SUBRECIPIENT INFORMATION

Jurisdiction:	
Contact Name:	
Phone:	

REQUIRED CONTENTS

GENERAL	LOCATION (PAGE #)
Link to DR-MHP Policies and Procedures:	
FUNDING	LOCATION (PAGE #)
Source of Funding (federal or CDBG-DR)	
Form of Funding (grant or forgivable loan)	
Minimum Award (\$200,000.00)	
Maximum Award (40% TDC)	
Leverage Requirement (60% must be covered by other funding sources)	
Restrictions on Development Cost (HOME Subsidy per Unit Maximum)	
ELIGIBILITY REQUIREMENTS	LOCATION (PAGE #)
Eligible Applicants	
Project Size (8+ units, minimum 4 units or 30% of total units affordable)	
Project Type (large family, special needs, seniors, supportive housing)	
Project Location (MID, non-MID)	
Affordable Rent Requirements	
Affordability Period (Rehab = 15 years, New Construction =20 years)	
Prioritization Criteria	
APPLICATION REQUIREMENTS	LOCATION (PAGE #)
Project Description (location, unit mix, type, beneficiaries)	
Sources and Uses Statement	
Funding Commitments (required documentation)	
Completed NEPA/CEQA	
Pro Forma	



**Disaster Recovery Multifamily Housing Program
Subrecipient Project Solicitation Checklist**

Jurisdiction:	
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APPLICATION REQUIREMENTS (CONTINUED)	LOCATION (PAGE #)
Proposed Construction Schedule	
Documentation of Developer's Experience	
Affirmative Marketing Plan	
Market Study	
Plan for Delivery and Funding of Supportive Services (if applicable)	
Site Control and Land Use Approvals	

FEDERAL CROSS-CUTTING REQUIREMENTS	LOCATION (PAGE #)
Environmental Review	
Equal Opportunity Requirements	
Labor Standards (Davis Bacon and Related Acts)	
Lead Based Paint	
Section 3	
Duplication of Benefits	
Uniform Relocation Act	
Prohibition Against Eminent Domain	
Affirmatively Further Fair Housing	
Building Standards (CalGREEN, Wildland Urban Interface)	
Demonstrating Benefit to LMI Persons (National Objective)	

PROCESSES	LOCATION (PAGE #)
Timeline	
Application Submission Process	
Underwriting Criteria	
Scoring and Selection Criteria/Process	
Award Process	
Appeals Process	
Legal Documents	
Recapture Requirements	



DR-MHP Development Application Review and Underwriting Checklist

INFORMATION

Local Jurisdiction:	
Development Name:	
Development Address:	
Total Units:	
Total Affordable Units:	
Percent Affordable Units:	
CDBG-DR Affordable Units:	
Percent CDBG-DR Affordable Units:	

DEVELOPMENT APPLICATION SUBMISSION REQUIREMENTS

Item	Yes	No	Review Criteria	Comments
1			Is the development application submission in Grants Network is complete?	
2			Does the proforma submitted with the application in Grants Network provide a sources and uses statement showing that all DR-MHP funds will be used to construct affordable units? Does the sources and uses statement include all uses broken out by source? Does the submission include a minimum 20-year operating pro forma?	
3			Is the Environmental Review Record (e.g., Environmental Assessment for new construction or Categorically Excluded, Subject to 58.5 review for rehabilitation/reconstruction) complete?	
4			Does the Market Assessment provide, at a minimum, the local prevailing market rents and vacancy rates to support the need and viability of the proposed development?	
5			Does the construction schedule show completion by Q1 2025? Does the target date for lease-up of the DR-MHP units fall before Q3 2025?	



DR-MHP Development Application Review and Underwriting Checklist

6		Does the information on the experience and qualifications of the development team demonstrate the completion of three multifamily developments and at least one affordable multifamily development?	
7		Does the certification of complete disclosure include all identities of interest -- of all persons or entities, including affiliates, that will provide goods or services to the development either (a) in one or more capacity or (b) that qualify as a "Related Party" to any person or entity that will provide goods or services to the development? Include a comment if an interest is noted.	
8		Is there evidence of land use approvals or entitlements? Is there a letter signed by a certified planner indicating that the project meets all requirements for local approval under a nondiscretionary process?	
9		Does the development application submission include an Affirmative Marketing Plan (HUD 935)? Does it describe the additional outreach required to fire-impacted household as outlined in the program policies and procedures?	



DR-MHP Development Application Review and Underwriting Checklist

PROGRAM REQUIREMENTS

Item	Yes	No	Review Criteria	Comments
10			The proposed development must be located in a Most Impacted and Distressed (MID) or otherwise impacted by DR-4344 or DR-4353. Is the project located in an eligible area?	
11			Is the address of the proposed development within one of the Most Impacted and Distressed Area(s)?	
12			Does the proposed development meet one of the Priority Criteria established in Section 2.4 of the Policies and Procedures? Note in the comments which priority criteria is met.	
13			Does the development proposal include at least eight (8) units?	
14			Does the development proposal include a minimum of four (4) affordable units or 30 percent of the units as affordable units, whichever is greater?	
15			Is the total DR-MHP funding requested in the development application less than or equal to 40% of total development cost?	
16			The Program Policies and Procedures indicate that the development "must successfully meet environmental review clearance at time of application." Has the development received NEPA clearance?	
17			Does the development proposal meet one of the HCD project types defined in the "2018 Multifamily Housing Program Guidelines" Article 2, Section 7302 (1-5) including: 1) Large Family, 2) Special Needs, 3) Seniors, 4) Supporting Housing, and 5) At High Risk.	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	No	Review Criteria	Comments
18			Did the applicant provide a listing of comparable developments completed within the last three (3) years in the jurisdiction or in neighboring jurisdictions within the housing market area, to include the total number of housing units and the total development cost for each development?	
19			Based on evaluation of the listing of comparable developments supplied by the applicant, is the cost per unit for the proposed development in line with the average cost per unit of the comparable developments, factoring in such things as inflation, prevailing wages, and non-comparable project amenities?	
20			Does the per-unit assistance requested from DR-MHP funds comply with the Maximum Per-Unit Subsidy Limits table value in effect for the jurisdiction where the housing is located? Note: These values are supplied by either the HUD San Francisco Regional Office or the HUD Los Angeles Field Office on an annual basis and published by HCD.	
21			Does the jurisdiction have a Certified Housing Element, or can the jurisdiction show proof of effort in attaining compliance in a timely manner?	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	No	Review Criteria	Comments
22			The Program Policies and Procedures require that "all sources of funding required to complete the project must be identified, documented as committed, and accessible." Did the applicant submit evidence that all sources listed within the proforma development budget are committed and accessible?	
23			Are the rents shown in Year 1 of the proforma in compliance with the High HOME rents for the project area?	
24			Does the development application request at least \$200,000 of DR-MHP funds, or was an approvable waiver request to this minimum award level included with the development application?	
25			Is the total DR-MHP funding requested in the development application limited to the amount that is necessary to address the gap between development costs and the sum of all other funding commitments?	
26			Is the developer eligible to receive DR-MHP funds? Verify at www.sam.gov .	



DR-MHP Development Application Review and Underwriting Checklist

DEVELOPMENT UNDERWRITING (BASIC)

The numerical standards in this section are benchmarks. If the proforma does not conform to these benchmarks, the application may include a request for waiver based on the specific economics of the project.

Item	Yes	No	Review Criteria	Comments
27			<p>Is the maximum developer fee limited to the maximum allowable fee permitted by the California Tax Credit Allocation Committee for a 9% or 4% Tax Credit Project, as applicable? If the development is not a Tax Credit Project, is the developer fee 15% or less of total development cost? "Developer Fee" includes funds disbursed to the developer for administrative costs, provision of guarantees, or fees for services, and payment of fees for guaranteeing against operating deficits. Payments into reserves required by lenders or investors are not included. Specific examples of items to be treated as developer fees (in addition to any fees charged by the developer) include: administration; staff costs, including development consultants (but not historic preservation, environmental, or syndication consultants); net worth guarantee fees; marketing and/or rent-up supervision fees; tax credit compliance guarantee fees; real estate brokerage fees paid to a related party; loan brokerage fees paid to a related party; processing agent fees; developer profit and overhead; compensation for construction management oversight provided by the developer; the cost of any personal guarantees; and reserves in excess of those customarily required by multi-family housing lenders.</p>	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	No	Review Criteria	Comments
28			Does the pro forma reflect a minimum 5% construction contingency amount, and fully address this contingency in the sources and uses statement?	
29			In review of the proforma, is the stabilized debt service coverage ratio (after the first 18 months) at least 1.15 for years 2 through 20? A lower minimum ratio may be used if allowed by other development lenders. "Debt Service Coverage Ratio" means the ratio of (1) Operating Income less the sum of Operating Expenses and required reserves to (2) debt service payments, excluding voluntary prepayments and non-mandatory debt service. In calculating Debt Service Coverage Ratio, the Department may include all Operating Income, and may exclude Operating Income that cannot be reasonably underwritten by lenders making amortized loans or that is approved by the Department to be deposited into a reserve account to defray projected operating deficits.	
30			Does the operating proforma reflect projected annual rent increases of not more than 2% per year for affordable units and not more than 6% for market rate units?	
31			Does the operating proforma reflect a projected stabilized vacancy rate of not more than 7% per year for affordable units and not more than 12% per year for supportive housing / special needs units?	
32			Does the operating proforma reflect that a minimum of 0.8% of the replacement cost of the structure is funded to a replacement reserve, up to \$700 per unit?	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	No	Review Criteria	Comments
33*			Does the operating proforma reflect a projected positive cash flow during the 20-year or 15-year DR-MHP affordability period?	
34			Based on the total number of units in each development placed into service recently, does the developer have experience with mixed income projects? Does the developer have experience producing developments of comparable size to the proposed development?	
35			Based on the funding sources included in each development placed into service recently, does the developer have experience successfully completing developments with layered funding? Is the proposed funding for the DR-MHP development similar to funding used to produce prior developments?	
36			Based on the financial statements accompanying the list of developments placed into service recently, are each of those developments operating with positive cash flow? Are project reserve accounts adequately funded? Are the management fees listed in the financial statements comparable to those proposed for the DR-MHP development?	
37			Based on review of resumes and reference checks for members of the development team, is the developer's team knowledgeable, experienced, and responsive?	
38			Based on review of resumes and reference checks for members of the proposed management team, is the management team knowledgeable, experienced, and responsive?	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	No	Review Criteria	Comments
39			Based on a review of certifications submitted by the developer, are there any civil or criminal legal matters pending that are not resolved and have the potential to impact the developer's capacity to produce the proposed development?	

**Review information supplied with the developer application to evaluate the developer's most recent developments placed into service (at least three developments but up to 10 developments). The development shall have been in service at least three (3) years to facilitate this capacity review. Additionally, review the qualifications and experience of the development team and the proposed management team.*

DEVELOPMENT UNDERWRITING (ADVANCED)

Item	Yes	N/A	Review Criteria	Comments
40			Has the development proposal been / will the development proposal be underwritten by the California Tax Credit Allocation Committee? If not, mark "N/A" and proceed to the next question.	
41			Has the development proposal been / will the development proposal be underwritten by HCD for a funding source other than DR-MHP? If not, mark "N/A" and proceed to the next question. Note: list the other funding sources in the comments.	
42			Has the development proposal been / will the development proposal be underwritten by another government agency for use of HOME Entitlement funds? If not, mark "N/A" and proceed to the next question. Note: list the agency and funding sources in the comments.	



DR-MHP Development Application Review and Underwriting Checklist

Item	Yes	N/A	Review Criteria	Comments
43			<p>Has the development proposal been / will the development proposal be underwritten by another funding source with acceptably stringent standards and risk such that it can be reasonably assumed the development will be financially sustainable and will be able to carry out its debt service obligations, fund replacement and operating reserves, and provide quality affordable housing for at least 20 years? Insert details about the other funding source underwriting in the comments section and indicate "yes" if that source's underwriting is acceptable. If not, mark "N/A" and proceed to the next question.</p>	
44			<p>If none of the first four criteria above apply, has the Local Jurisdiction underwritten the project in compliance with local standards that are comparable to the State of California Uniform Multifamily Regulations.</p>	