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

NOFA and Application Workshop
Welcome and Introduction
# Presenters

## Meet our HCD SERNA Staff

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
</tr>
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<tbody>
<tr>
<td>Barbara Lewis</td>
<td><a href="mailto:Barbara.Lewis@hcd.ca.gov">Barbara.Lewis@hcd.ca.gov</a></td>
</tr>
<tr>
<td>Craig Morrow</td>
<td><a href="mailto:Craig.Morrow@hcd.ca.gov">Craig.Morrow@hcd.ca.gov</a></td>
</tr>
<tr>
<td>Douglas Truong</td>
<td><a href="mailto:Douglas.Truong@hcd.ca.gov">Douglas.Truong@hcd.ca.gov</a></td>
</tr>
<tr>
<td>Joseph McNicholas</td>
<td><a href="mailto:Joseph.McNicholas@hcd.ca.gov">Joseph.McNicholas@hcd.ca.gov</a></td>
</tr>
<tr>
<td>Tarci Hodge</td>
<td><a href="mailto:Tarci.Hodge@hcd.ca.gov">Tarci.Hodge@hcd.ca.gov</a></td>
</tr>
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Please send SERNA inquiries to:  [SERNA@hcd.ca.gov](mailto:SERNA@hcd.ca.gov)
Hot Topics and HCD
Process Improvements
HCD Process Improvements

• Standard Agreements
  – Organizational Documents
  – Resolutions

• Relocation Reviews Process

• Article XXXIV Review Process
HCD Process Improvements - Standard Agreements

• Past Practice & Process Issues:
  – Timing
  – Delays to Construction Closing
  – Inconsistency Across Programs
  – Confusion in Communications
  – Frustration
  – Multiple Amendments
  – Fi$cal
HCD Process Improvements
-Standard Agreements

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

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

• Organizational Documents
  – Sponsor (Threshold Requirement)
  – Borrower
    • Partnership Agreement (formation)
    • MGP/LLC
    • Administrative General Partner (AGP) if signatory on SA/Loan documents
    • Other entities included in Borrower structure
• Authorizing Resolutions (Common Mistakes)
  – Applicant Name & Org. Type
    • Matches Org. Docs. exactly
    • Matches STD 204 and/or TIN exactly
    • TIN is for the correct Department or Subdivision
  – Authorized Representative
    • Name & Title (corporate entities)
    • Title (public entities)
    • Designee Letter
    • Matches signature block exactly
  – And/Or – Cannot be both
HCD Process Improvements - Standard Agreements

- Authorizing Resolutions (Common Mistakes)
  - Vote Count
    - Not filled in completely
    - Not consistent with corp. by-laws
  - Signatory on Resolution
    - Must be different from Authorized Representative
HCD Process Improvements - Relocation & No-Relocation

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

• Legal Review Required
  – No relocation other than vacant land
  – Evidence conflicting with “vacant land” assertion
  – Relocation required and plan submitted
HCD Process Improvements – Article XXXIV Reviews

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

• Legal Review Required
  – Less restrictive approach
  – Revised Opinions not required
  – Issues resolved prior to award
General program overview
General Program Overview

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

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

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

• **Agricultural worker**
  – An individual who derives or prior to retirement or disability derived a substantial portion of his/her income from agricultural employment.
Funds Available and Authority

• Approximately $74 million

• Authority
  – Proposition 1, Housing Programs and Veterans’ Loans Bond (2018)
  – Senate Bill 2 (SB 2) 2017
    • Atkins, Building Homes and Jobs Act
Guidelines and Regulations

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

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

• Single-family residential housing programs (grants only)
  – New Construction
  – Owner-Occupied Rehabilitation
Site Criteria

• Near a residential area with access to schools, shopping, medical services, social services and employment
• Consistent housing element
• Not in a high concentration of low-income households
• Development or rehabilitation costs must be reasonable
• Not in a 100-year floodplain
Design Criteria

• Provide safe, sanitary, and decent housing
• Compatible with the existing community
• Energy conservation
• Cost effective use of grant funds
What’s New?

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

<table>
<thead>
<tr>
<th>NOFA Release</th>
<th>December 26, 2019</th>
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<tbody>
<tr>
<td>Application Form Available</td>
<td>January 8, 2020</td>
</tr>
<tr>
<td>Applications Due</td>
<td>Over-the-Counter</td>
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<tr>
<td></td>
<td>February 20, 2020 – May 20, 2020</td>
</tr>
<tr>
<td>Award Announcements</td>
<td>Ongoing Beginning March 2020</td>
</tr>
</tbody>
</table>
Questions?
Multi-Family Rental Housing Development Overview
Program Overview

• Eligible activities
• Loan terms
• Maximum project funding amounts
• Loan limits
Eligible Activities

- Multi-family new construction or rehabilitation with or without acquisition
- Target lowest income Agricultural households
Loan Terms

• 55-year term
• 3% Simple Interest (principle and interest deferred)
• First 30 years Mandatory debt service of 0.42%
• Next 25 years adjusted to cover HCD’s monitoring costs
• Unpaid interest and principle due at the end of term
Maximum Project Funding Amounts

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

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

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

• Initial base amounts:
  – 9% tax credit: $95,000 per Assisted Unit
  – 4% or no tax credits: $175,000 per Assisted Unit in a new construction Project located in a “High Resource” or “Highest Resource” area
  – 4% or no tax credits: $150,000 per Assisted Unit
Homeownership Housing Development Overview
Program Overview

• Eligible Program Activities

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

• Maximum project funding amounts
Eligible Program Activities

- Single-family new construction
- Owner-occupied rehabilitation
  - Repairs necessary to protect the health, safety, or welfare of occupants of the housing.
Loan terms made by the Grantee to an eligible Agricultural Household

- 20-year term

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

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

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

• Owner-occupied rehabilitation projects
  – Maximum $2 million
  – $75,000 per Assisted Unit
Questions?
15 Minute Break
Threshold Requirements
Threshold Requirements

- Eligible Applicant
- Eligible Project
- Site Control
- Complete Application
Eligible Applicant

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

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

- For-profit entities are not eligible Applicants
Minimum Experience

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

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

- Must contain Assisted units to be occupied by Agricultural households
- Assisted units are to be occupied by lower-income Agricultural households
- Any Non-Assisted units to be occupied by Agricultural households, to the greatest extent possible
Eligible Project – Multi-family

- Multi-family Rental Housing
  - Minimum 10% Assisted units with income no greater than 30% AMI
  - Units distributed reasonably among bedroom sizes
  - Maximum Rent limit - 80% AMI
Eligible Project – Multi-family

- Multi-family Rental Housing – Minimum Assisted units
  - Program funds < 25% of the total development/rehab cost or value of the project
  - For every 1% of the total development/rehab or value of the project, a minimum of 2% of the total number of units shall be assisted

\[
\text{Serna Program Funds} \times 2 \times \text{Total #} = \text{# Assisted Units}
\]

TDC units
Eligible Project – Multi-family

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

- Single-family New Construction
- Owner-occupied Rehabilitation
Site Control

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

• If an entity other than the Applicant is named
  – Organization documents must clearly demonstrate Applicant’s control
Site Control

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

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

• All forms of site control must extend through anticipated award date
Complete Application

• On HCD Forms (Universal Application and Supplemental Application)

• Sufficient to perform our review

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

• Appraisal - Within two years of application date (Required if the project is claiming land value and cost is included in the development budget.)
• Market Study – Within one year of application date
• Environmental reports - Within one year of application date
• Physical needs assessment (PNA), asbestos, lead based paint, mold reports (Rehab only)
Questions?
Feasibility
Financial Feasibility

- Organizational Documents & Resolutions
- Development Budget
- Rents
- Operating Expenses
- Cash-Flow
Organizational Documents & Resolutions

- Based on proposed Borrower organizational structure
- Corrections required before Standard Agreement
Development Budget

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

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

• “Other” costs specified
Development Budget Reserves

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

• Transition Reserve
  – For projects utilizing Project Based Rental Assistance
  – Amount needed to cover one year after subsidy ends
Total Development Cost

- Equal to permanent sources
- Costs are reasonable
- High cost analysis
  - If exceeds 160% explanation is required
  - May result in disqualification
Rents

- Assisted units not to exceed 80% Area Median Income (AMI)
- 2019 rent limits should be utilized
- Utility Allowance must be documented
Operating Expenses

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

• Asset Management Fee
  – Not to exceed $34,426 (2020)
Operating Expenses

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

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

• Debt Service Coverage Ratio (DSCR)
  – Not Less than 1.10:1 or Greater than 1.20:1 except

  • 12% Rule
  • A higher ratio may be allowed in limited circumstances, to ensure 20-year positive cash flow feasibility
15 Year Cash-Flow

• Residual Receipts and Sponsor Distributions
  – 50% to Sponsor
  – 50% to Department

• The Department may share with other public entity lenders on a pro rata basis
Questions?
What’s Next?
What’s Next?

• Project Reports prepared
  – Presented to Internal Loan Committee

• Final Project Reports prepared
  – Copy will be sent to the Applicant

• Award letters will be sent

• Standard Agreements Issued

• Hand project/program off to Loan Closing Section/Grants Management
Application Review and Submittal
Organizing the Binder

• Complete original application in a three-ring binder
  – Electronic copies on a flash drive

• Refer to the Serna Document Checklist:
  – Label tabs to separate each section
  – Number tabs for documents
  – For items not applicable to your application, place a sheet stating “Not Applicable” behind the tab
  – Letters of Explanation (binder tab 3a) – Required for any ‘No’ responses within the self-certification section in Overview tab
## JOE SERNA, JR. FARMWORKER HOUSING GRANT PROGRAM Document Checklist

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

1. Use 3-ring binder/binders appropriate to the size/thickness of the Universal Application and the Supplemental Application when submitting the application package to the Department.
2. Use labeled tabs to separate each section and document attached according to the Application checklist to separate each section and document attached in the application.
3. Use the tab file name descriptions and file structure below for the 1. binder tab numbers and 2. electronic folder and file name.

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

### Applicant 1 Organizational Documents

<table>
<thead>
<tr>
<th>File Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>App1 Cert &amp; Legal Disclosure</td>
<td>Certifications &amp; Legal Disclosure See Certifications &amp; Legal Disclosure</td>
</tr>
</tbody>
</table>
Applications

• Multi-Family
  – Supplemental Application
  – Universal Application

• Single-Family
  – Supplemental Application

Current NOFA

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

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

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

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

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

• Applications must meet all eligibility requirements upon submission
Disclosure of Application

- Information becomes public record available for review by the public

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

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

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

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

2017 Uniform Multifamily Regulations (UMR’s)

MHP 2019 Round 1 Final Guidelines

2019 TCAC Regulations

TCAC Opportunity Maps

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

Additional questions may be sent to Serna mailbox

serna@hcd.ca.gov