



Multifamily Housing Program (MHP)
NOFA Date: July 15, 2020
Questions and Answers (Q&A)
Final: September 10th, 2020

MHP 2020 Round 3 Q&A

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

For additional questions and inquiries regarding the MHP, please email the Program, Design & Implementation (PDI) / MHP Team at mhp@hcd.ca.gov. The inbox will be responded to up until close of business on Sept 14th, 2020.

The Department will make its final Q&A update the week of September 8th, 2020.

The most recently added questions & answers have been prefaced with **(New!)** for a more efficient review experience. Questions are organized into the following categories (additional categories to be added as questions are received):

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Application

- 1. I noticed that information regarding the MHP provided on the CA Grants Portal (portal page provided below for reference) included additional eligibility guidelines that were not included in the provided NOFA, particularly information regarding tribal entities, as follows:**

Eligible Applicants: Business, Individual, Nonprofit, Public Agency, Tribal Government, Local public entities, for-profit and nonprofit corporations, limited equity housing cooperatives, individuals, Indian reservations and Rancherias, and limited partnerships in which an eligible applicant or an affiliate of an applicant is a general partner. Applicants or their principals must have successfully developed at least one affordable housing project."

I wanted to confirm whether the eligibility guidelines above were applicable to the July 2020 NOFA.

Answer: The CA Grants Portal provides general information to the public regarding program funding through the State of California. However, the July 2020 MHP NOFA states in Program Requirements, Section III: "An Applicant must be an Eligible Sponsor pursuant to Guidelines Section 7303". Applications will be reviewed for eligibility based strictly on the 2019 MHP Guidelines and July 2020 MHP NOFA.

- 2. Regarding the mold study required for rehabilitation projects (line 115 on the Document Checklist) – does HCD have any specific requirements for what a mold study should include?**

Answer: The Department does not set forth criteria or specifications for the content of a mold report; however, the reports must be prepared by an independent third-party professional having knowledge and experience in the preparation of such reports.

- 3. Regarding Sponsor experience (line 91 on the Project Overview tab of the Master Application) – the line asks to complete "Experience" tab of the Project Selection tab, but there is no Project Selection tab.**

Answer: In combining the two applications, we updated the naming convention of the tabs for consistency and clarity, but we found that there are still references in the application that refer to the old tab naming convention. Specifically, the

Project Selection tab. If you see any reference to Project Selection tab that is actually now referred to as the Scoring tab.

- 4. Regarding site control (line 140 on the Project Overview tab of the Master Application) – how should scattered site projects with different current owners evidence more than one form of site control? For example, we are assembling two parcels with different owners, and have a DDA with one owner and a PSA with another owner.**

Answer: Site control must meet requirements set forth in UMR Section 8303. Site Control of scattered sites have the same requirements as a single parcel. Site control must be established through the appropriate document for each site (Purchase Agreement, DDA, ENA, etc.). Additionally, each site must have control established by the time of construction to the same borrower, and the contract should be to Sponsor, Borrower or a sponsor-controlled affiliate. Site control must be established through the expected award date of December 31, 2020.

- 5. What is meant by Principal? Who is the Principal? Is this the developer, sponsor, property manager?**

Answer: Pursuant to section 7320(b)(3)(B) the Sponsor may include the experience of its principals. This section also provides clarification that the “principal” must be an employee of the Sponsor in a position responsible for the oversight and management of development activities, which would not be the property management. If the Sponsor has experience in its own right, there is no need to identify a principal. (e.g. Mercy Housing California has experience in its own right, as an entity.)

- 6. We have reviewed the larger application and have some questions about the content of the application. We want to determine what sections need to be completed.**

Answer: Per MHP Guidelines Section 7318 Application requirements, a complete application must be submitted for review and consideration. Each section of the MHP Application will direct the applicant to what documents are required for that section. Additionally, the Document Checklist located within the MHP Application specifies documents required at the time of application submission. Please make sure all applicable Project Types are selected to ensure the applicable tabs open for completion.

- 7. We have an appraisal dated June 17, 2019. Do we need an entire new appraisal or can an updated letter supporting the value satisfy this requirement?**

Answer: Per Guidelines Section 7304 and 7309, if the application has land costs associated to the project, and are shown on the Development budget, an appraisal is required. Appraisals will be accepted, regardless of date, provided that the value supports the costs documented on the Development Budget.

- 8. We have both a Phase 1 and a Phase 2 environmental studies. But, the Phase 1 is dated March 25, 2019 and the Phase 2 is dated May 7, 2019. Do we need an update letter saying we can rely on the findings?**

Answer: Per the July 2020 Application, Document Checklist items numbered 42 and 43, a Phase 1 and Phase 2 must be prepared or updated no earlier than 12 months prior to application due date.

- 9. We applied for and received VHHP funding earlier this year. We have a whole series of financing letters we submitted with that application. Can we provide the same letters for the MHP application or do we need entirely new letters? Or can we simply have the same agencies and groups simply change the dates and re-sign.**

Answer: Per MHP Guidelines Section 7320(b)(5), enforceable funding comments should represent and support the terms provided in the Development Sources (Dev Sources tab) of the MHP Application. Therefore, new letters may be required.

- 10. In reference to items #33-#35 of Document Checklist, could you please clarify who our 'Principal' would be?**

Answer: Pursuant to section 7320(3)(B) the Sponsor may include the experience of its principals. This section also provides clarification that the "principal" must be an employee of the Sponsor in a position responsible for the oversight and management of development activities, which would not be the property management. If the Sponsor has experience in its own right, there is no need to identify a principal.

- 11. (New!) In Max Loan & Unit Mix tab, there is no dropdown to select 65% AMI (cell C15:D15). Please advise if we should leave it blank for the 65% AMI units.**

Answer: The MHP Application does not have a 65% AMI option in the drop down. MHP Restricted units are considered 60% AMI and below, so if the project has AMI's that are above 60%, please indicate any option above 60% AMI and

provide a letter of explanation outlining which specific units are at what AMI level if they do not match the pre-existing options present in the dropdown.

- 12. (New!) Form S5- Supportive Services Verification states that a wet signature is required. However it is stated in the NOFA that no wet signatures will be required. Can you please confirm that no wet signature is required on this form?**

Answer: The Department no longer requires original wet copy signatures, and will accept scanned copies and/or electronic signatures.

Appraisals

- 1. I could not find any guidelines regarding appraisals. What are the requirements and what is considered "current"?**

Answer: Appraisals, per Guidelines Section 7304 and 7309. If the application has land costs associated to the project, and are shown on the Development Budget, an appraisal is required. Appraisals will be accepted, regardless of date, provided the value supports the costs documented on the Development Budget.

Article XXXIV

- 1. Can you confirm that we are not required to submit an Article XXXIV Legal Opinion if we have evidence of Article XXXIV Authority, even though both items are marked as threshold requirements?**

Answer: This is correct. An Article XXXIV Legal Opinion is not required if there is evidence of Article XXXIV Authority.

Documentation

- 1. Do you have a sample of the Fair Housing Opinion that you can provide?**

Answer: The Sponsor's Legal Counsel must provide a written analysis & legal opinion. The Department does not have any examples of the Fair Housing Letter.

- 2. Could you clarify for me if certificates of good standing are required for the LP, LLC, and corporate entities at the time of application, or will it suffice if they are provided at closing?**

Answer: To earn the bonus point it is a requirement to provide all applicable organizational documents in the MHP application document checklist at application, this includes the certificate of good standing.

- 3. In the Document Checklist are we to separate and save each tab individually? (i.e.: 1. Document Checklist, 2. Application, 4a. Spon 1 Cert & Legal Disclosure, etc.) What are the recommended formats of attachments? (i.e.: .XLSX, .XLSM, .DOCX, .PDF, etc.)**

Answer: Each tab in the MHP application does not need to be saved individually. The MHP application should be saved as an excel spreadsheet and uploaded into FFAST as one attachment. Please refer to the document checklist to identify all attachments that need to be uploaded to the FFAST system in addition to the MHP Application. The Department no longer requires, nor will accept, a binder as an application submission.

- 4. As the document “Sponsor Certification Worksheet” will only allow typed text, how would you suggest we insert a signature?**

Answer: HCD now accepts electronically signed documents known as eSignatures. Depending on individual system capabilities, if electronic signatures is not possible, the Sponsor Certification Worksheet or any other document which requires a signature may be printed, signed, scanned and included as a PDF with the application submission.

- 5. What kind of documentation do we need to include if we are using the CUAC for our utility allowances? We will have documentation from our energy consultant – what specifically does their documentation need to include?**

Answer: You will need to provide the CUAC documents showing applicable utility allowances (including net zero, if applicable) to support the utility allowances included in your application.

- 6. Is there an HCD template for the legislative letter? I want to make sure the letter meets the threshold and properly notifies the local legislative body. Can you provide me guidance as to what must be in the body? I assume the letter must contain the following:**

- **Project description**
- **Funding request amount**
- **Application due date**

- **Signature from an authorized person**

Answer: The Department does not have a template for the Legislative Letter. However, per Health and Safety Code 50675.7(e) – each applicant must notify the local legislative body (City Council or County Board of Supervisors) of the Sponsor’s loan application prior to application submission. Sponsor must provide a copy of the legislative letter as part of the application submission. Additionally, this is a Threshold requirement for Round 3 per MHP guidelines sections 7318(b) and 7320(a)(4). Please refer to attachment #3 in the MHP Application Documentation Checklist.

- 7. Item #19 of the Document Checklist requires an integration plan. Can we simply draft a plan on our own letterhead and submit it or is there a specific HCD form that is required?**

Answer: Per the July 2020 Application, Document Checklist, #19: For Special Needs and Supportive Housing Projects, provide an Integration Plan that demonstrates how the Sponsor will meet the Guidelines Section 7302(g) requirements. The Department does not provide a specific form to complete.

- 8. (New!) Do we need to submit a fully executed MOU for the Lead Service Provider of the project or will a letter of commitment be sufficient?**

Answer: Per Guidelines Section 7302 (f)(3), the MHP Application Document Checklist and the Supportive Services Plan Tab (S1) within the MHP Application. The requirement for the document in question, is Attachment #24: LSP NonSpon Contract, Agreement or Letter of Intent to Provide Services.

- 9. (New!) If the proposed project is a large family, but there are no comparable large family projects in the market area, is it HCD’s preference to get other project types (e.g. senior) or to expand the market area to find large family projects with 3 years of audits available? As a rural project, we might have to expand the area by up to 20 miles.**

Answer: If an alternate form of comparable(s) is submitted, please provide an explanation as to how and why the alternative comparable(s) were chosen. The documentation submitted will be evaluated and a determination will be made as to its sufficiency, during application review.

Eligible Sponsor

- 1. Section 7303(d) of the guidelines state: “If the Sponsor is a joint venture, and qualifies as an eligible Sponsor under the preceding subsections based on the experience of only one joint venture partner, that partner must have a controlling interest in the joint venture and a substantial and continued role in the Project’s ongoing operations, as evidenced in the documents governing the joint venture.” Could you please elaborate further on what constitutes a controlling interest?**

Answer: The joint venture partner with the qualifying experience must have a majority interest in the partnership and be able to make ongoing financial and operating decisions relating to the project as evidenced by the terms of the Joint Venture Agreement.

- 2. In past Rounds we’ve submitted Certificates of Occupancy for experience. Is that required this round?**

Answer: The submission of Certificates of Occupancy is no longer required.

- 3. Can you please tell me what exactly is needed for the Certification of Prior Employment for the Principal experience?**

Answer: See Scoring Tab, row 49 of the MHP Round 3 Application for specific requirements needed for Certification of Prior Employment for the Principal experience.

Feasibility

- 1. I have a 100% PSH project that intends to restrict rents to 30% AMI. However, it is typical that a bank or city loan may require a float up provision in the event that the project-based vouchers that are supporting the project are lost. Does the MHP program allow this? We would be able to increase rents up to 50% under the float up provision.**

Answer: Please see Guidelines section 7312(f) which, in the event of subsidy termination, the Department requires written notification and approval prior to raising rents only to the extent necessary for project feasibility. Rent adjustments are not permitted until after the one-year transition reserve period has expired.

- 2. I have a mechanical question about the MHP program that I am hoping you can answer. The minimum debt service is 0.42% per year but does that**

payment go towards reducing interest followed by principal or is it simply collected as a fee?

Answer: Please refer to the MHP Guidelines, section 7308(c)(d) and specifically (e) for the specific order of how the 0.42% loan payment is applied.

- 3. During the MHP Webinar, HCD staff indicated that if a project requires Proposed Rents lower than Restricted Rents, the sponsor should select Proposed Rents in MHP application workbook. HCD also indicated that underwriting will be based on Restricted Rents while the MHP Regulatory Agreement will be based on Proposed Rents. It is our experience that MHP has always allowed the underwriting of deals using PROPOSED rents, with the regulatory agreement then tied to RESTRICTED rents. We are advocating for the continuation of this policy as there are a range of reasons that require this. The most common include local rent restrictions and market restrictions (meeting the 10% below market requirement. Given there is always a good reason for this type of structuring, we would suggest HCD simply require sponsors to provide justification in their applications for why full restricted rents are not appropriate for underwriting (and why proposed rents are appropriate).**

Answer: The Department underwrites to the maximum Restricted rents, generally with the expectation that full rents will be charged. Should an applicant propose lower “proposed rents”, the project would need to demonstrate compliance with the UMRs for both scenarios. This would require inclusion of two cash-flow analyses: one using Restricted rents and another using Proposed rents. Further, an explanation as to why the lower rents are necessary must be included. HCD will evaluate the proposal on a case-by-case basis. Lastly, if lower rents are proposed as a method of managing the cash-flow to meet the DCR requirements, HCD may require the units be restricted at lower Restricted rents.

General

- 1. I have a development project in Boyle Heights and wanted to better understand the MHP program. If this is a redevelopment project, can you only apply once the project is fully occupied and complete? If so, are there any loans specifically for the construction aspect of low-income housing projects? I look forward to hearing from you. Please let me know if someone in your office is available for a call.**

Answer: Per Guideline section 7306(a) MHP program funds shall be used for post-construction, permanent financing only. In order to be considered an eligible project under guidelines section 7302, construction or Rehabilitation work must not have commenced at the time of the application due date. Construction-period financing would need to be committed separately and is evaluated as a readiness scoring factor. Construction financing may include, but are not limited to commercial loans, local public funds, developer contributions and tax credit equity. Information on other Department programs is available at <http://www.hcd.ca.gov>.

- 2. We are a group of Architects, Engineers and Contractors, who have extensive experience in construction of Apartment Complexes in California and would like to find out how we can participate in development of Multifamily Housing Program, using Grants-Funding?**

Answer: The Multifamily Housing Program (MHP) provides loans to Eligible Sponsors according to MHP Guidelines Section 7303. In addition, an eligible sponsor must also demonstrate experience relevant to owning and developing affordable rental housing. MHP does not provide grant funding.

- 3. I don't know where I heard this and I couldn't find this anywhere in different documents. Can we apply for MHP if we have 9% TCAC application pending? I don't mean having MHP and 9% as I understand 9% projects are not eligible for MHP. I mean assuming 2 different scenarios and applying for funding related to both scenarios at the same time. At the end, choosing the direction based on whatever we get awarded.**

Answer: Per MHP Guidelines Section 7302(d), the Project will not be able to use 9% tax credits.

- 4. I have spent the past four years working hard to create and open Joshua's House Hospice in Sacramento, the first facility to provide hospice and comfort care for terminally ill homeless men and women on the West Coast. Is this project eligible for MHP funding?**

Answer: Having conferred with HCD legal counsel, we have determined that the project would be ineligible for MHP funding because a hospice facility primarily operates as a health care facility, which is an ineligible use of MHP funds pursuant to Guideline Section 7304(b)(9).

- 5. I am hoping to receive some assistance determining the max loan amount to include in our Sponsor resolution. We have a 73 unit 100% PSH project with 50% chronically homeless units (36) and 50% homeless units (36) and 1 managers unit. When calculating the loan amount, I am assuming 49% Supportive Housing units (35) at \$175k + 51% Restricted Units (37) at \$150k = \$11,675,000. Is my assumption correct?**

Answer: MHP Guidelines Section 7307 (b)(2) states ‘the initial base amount shall be \$175,000 per Supportive Housing Unit [...] and \$150,000 per other Restricted Unit’. HCD is unable to confirm the calculations for this specific project unit count without an application; however, based on the information provided, this assumption appears to be correct. The amount stated in the Sponsor Authorizing Resolution may be higher than the loan amount requested if stated as “An amount not to exceed \$”.

- 6. For Borrower “Attachment 8g – EIN Verification”, do you want a copy of the Executed SS4 that was submitted to HCD? Or do you want a copy of something that evidences what the Borrower’s EIN is?**

Answer: Per the Document Checklist, item 8g, the IRS Form SS4 is required. If you are unable to obtain the IRS Form SS4, and an alternate form of verification is submitted, it will be evaluated and a determination as to its sufficiency will be made during application review.

- 7. For an Adaptive Reuse project of a non-residential structure, is this considered a new construction project? (Would be helpful to know to determine if additional supporting documents are needed).**

Answer: Based on the information provided, per MHP Guideline Section 7301(r) and HSC Section 50096, the conversion of a non-residential structure is not considered a Rehabilitation project development type. It will be considered a Conversion or New Construction project development type.

- 8. Will Conversion of a Non-Residential Structure project type require any of the documents specified as rehab only? We will be rehabbing the structure and completing some of the required reports for rehab projects but want to know if it must be submitted as part of our MHP application if our project is not an Acq. Rehab Project?**

Answer: This question indicates that there are reports that are being generated that are required for rehabilitation projects. Although the project is not a Rehabilitation project development type, it does involve the rehabilitation of an

existing structure. The Department recommends that you submit copies of the reports with your application to ensure that it meets the Threshold Requirements for a complete application.

9. What is “Schedule A” please as mentioned on row 34 of the Scoring tab? Not seeing it referenced in other materials or elsewhere in the workbook.

Answer: Please disregard the reference to “Schedule A”. This document has been removed from the MHP Application and does not apply to the July 2020 MHP NOFA.

10. MHP NOFA indicates that if a sponsor wants to swap out previously awarded HCD funds, the sponsor would need to forfeit the prior award before applying to MHP and this prohibition applies to funds awarded by HCD. We believe this prohibition should not apply to funds administered by an Alternative Process County (HHH, NPLH) and should not apply to applicants seeking MHP funds as supplemental funding on non-HCD assisted units. Could you confirm if our understanding is correct?

Answer: Your question seems to be referring to an application seeking MHP funds in addition to the APC-NPLH, not as a replacement or “swap” of funds. If this is correct, the prohibition does not apply. APC-NPLH was not specifically considered in this prohibition and we may not even know of an award by the jurisdiction unless and until an application for other program funding is submitted. If however, an applicant had applied for an HCD program and also had an APC award, which they later withdrew from the project in favor of a different HCD program, this may be considered subrogation of previously committed local funds and subject to the requirements of UMR 8313.1

11. We would like to ask if you can update the FAQs for each MHP Round, which would include consolidating previous FAQs and adding new FAQs for the current round. If certain guidance is no longer applicable, you could delete them to avoid any confusion for applicants. If certain guidance is still applicable, you would be able to re-confirm for applicants.

Answer: FAQs are specific to a particular NOFA, so previous FAQs, especially if they were later found to be incorrect, confusing or conflicting with Guidelines should not be considered. This will be especially relevant for Round 4, which will be subject to revised Guidelines.

12. On section 7320(b)(3)(A) on the scoring tab of the Master MHP App, could you confirm what the Sponsor Certification is and what is HCD looking for?

Answer: The Sponsor Certification is the second to last tab of the application, it is a requirement that this tab be completed.

13. Is a rural project subject to both the infill requirement (% of site developed/previously developed or bordering developed property) AND the minimum 10 DU/acre density?

Answer: To garner points under 7320(b)(6)(A), a project (including Rural) must meet the requirements of both (i) and (ii).

14. Could you please provide us with the MHP Power Point that was presented during the webinar?

Answer: The MHP presentation has been posted on YouTube at:
<https://www.hcd.ca.gov/grants-funding/active-funding/mhp.shtml#funding>

15. I am working on an MHP application for a project that also applied for MHP earlier this year but was not awarded. Assuming that no content in the documents has changed since the 3/2/2020 application, can I use the already completed and executed forms?

Answer: The MHP Round 3 application will be treated as a new submission and it is the responsibility of the applicant to provide documents that meet the current program requirements.

16. (New!) Is there a Developer funding limit on MHP funds for Developers applying with multiple projects?

Answer: The MHP Guidelines do not limit the number of applications a Sponsor may submit nor the total funding they may receive.

According to July 2020 NOFA Section (III)(E)(3): the maximum loan amount a project may receive is up to \$20 million or the amount allowed under MHP Guidelines section 7307.

NEPA/CEQA

1. Can you please confirm that if a project will only utilize a density bonus to increase density and does not require discretionary review and therefore CEQA review will not be required, that a Resolution from the local

governmental authority will not be required for the application? In the past I've provided for projects that needed discretionary review but I just wanted to double check on that you won't require an acknowledgement from the local authority on a non-discretionary project?

Answer: Submission of the completed Local Approval and Environmental Review Verification (the "Verification") is a threshold requirement; however, points are awarded under Section 7320(b)(5)(B) if CEQA/NEPA reviews have been completed.

For CEQA, the local jurisdiction must complete the Verification indicating the status of the review and supporting documentation is required (e.g. Negative Declaration, Exemption Letter or explanation in the Verification as to why CEQA is not required).

2. What documentation would your team need for projects that do not require NEPA/CEQA review?

Answer: Submission of the completed Local Approval and Environmental Review Verification (the "Verification") is a threshold requirement; however, points are awarded under Section 7320(b)(5)(B) if CEQA/NEPA reviews have been completed.

For CEQA, the local jurisdiction must complete the Verification indicating the status of the review and supporting documentation is required (e.g. Negative Declaration, Exemption Letter or explanation in the Verification as to why CEQA is not required).

3. Does HCD require NEPA clearance if the only Federal source in the project is Project Based Vouchers (PBV's)?

Answer: NEPA would only be applicable for any federal sources of funding, which can include operating subsidies.

4. Would an application receive full environmental points if it has PBV's but does not have NEPA clearance?

Answer: Submission of the completed Local Approval and Environmental Review Verification (the "Verification") is a threshold requirement; however, points are awarded under Section 7320(b)(5)(B) if CEQA/NEPA reviews have been completed. Please refer to the MHP Application Document Checklist, attachments 49 and 50 for the supporting documentation.

5. **(New!)** I'm trying to get the environmental assessments updated for an upcoming submission and hoping you could provide some guidance. Our Phase I and Phase II are both over a year old. In the past, we were able to clarify that only the Phase II needs to be within 12 months if it is required. The Phase II recommended an additional Soil Vapor Study which is also over a year old. Do we need to update both the Phase II and the additional Soil Vapor Study, or could we get away with just updating the Soil Vapor Study?

Answer: For new construction projects, a Phase I Environmental Site Assessment prepared or updated no earlier than 12 months prior to the application due date is to be submitted as this a Threshold requirement. If a Phase II environmental report is recommended by the Phase I, and the Phase II is dated within 12 months prior to the application due date, the Department would accept an older Phase 1.

Because the additional Soil Vapor Study was recommended by the Phase II, an updated study is recommended also; however, a Soil Vapor Study alone would not be an acceptable document replacing the Phase I or Phase II.

Organizational Documents

1. **Can you confirm that no authorizing resolutions for the Borrower and General Partner entities are required?**

Answer: For the July 2020 MHP NOFA, only the Sponsor Authorizing Resolution is required to be submitted at time of application to satisfy the Threshold requirement. The Sponsor Authorizing Resolution is for the Sponsor and coSponsor, to reflect the governing board(s) giving approval to apply for MHP funding.

2. **Regarding the Borrower EIN Verification (line 48 on the Document Checklist) – we requested EINs via the IRS's online form and so did not submit IRS Form SS4 or receive a stamped copy in return. Can we submit the IRS EIN confirmation letter as verification?**

Answer: Per the Document Checklist, item 8g, the IRS Form SS4 is required. If you are unable to obtain the IRS Form SS4, and an alternate form of verification is submitted, it will be evaluated and a determination as to its sufficiency made during application review.

3. **The Sponsor resolution for my MHP application is based on the Round 2 resolution template. I noticed that the MHP website has a new Sponsor**

resolution template. Will a resolution based on the old template still be acceptable? My board documents deadline was a few weeks ago so I didn't have time to update since the new template was released. Please let me know asap.

Answer: The new Sponsor Authorizing Resolution template that is currently on the website is generally the same as the Round 2 Sponsor Authorizing Resolution template with only the NOFA date being updated. Both Resolutions should be compared to each other and reviewed to ensure the one submitted has all critical items addressed.

- 4. The organization I work for wants to strive for the extra point for the formed organizations. Does this have to be a formed organization with a limited partner, general partner, and managing General Partner, etc.?**

Answer: Per the July 2020 NOFA Section III (F)(2) and the July 2020 Application, the Document Checklist outlines a list of all required organizational documentation required for the Bonus Point.

- 5. (New!) Can the Department provide an example of a Signature Block? What details are needed? As we have 2 sponsors, do we need a separate block for each? Should they include the position & project title?**

Answer: Each Sponsor will submit a signature block in Microsoft Word format. The Department does not provide examples. For specific information that needs to be included on the Signature Block, please refer to your legal counsel.

- 6. (New!) For the Sponsor, Borrower, and MGP, should the Signature Blocks we submit be signed or unsigned?**

Answer: Please refer to the MHP Application Document Checklist, attachments #4e, 5e, 6f, 7e, 8d, 9d, 10d, and 11d are related to the Signature Block, are Microsoft Word Documents, and do not require a signature.

Relocation

- 1. Is there a required timeframe in which the relocation plan should have been prepared? It was mentioned on the webinar but I don't see anything in the guidelines specifying.**

Answer: Relocation plans must conform with MHP Guideline Section 7315(c) which states that the Sponsor shall prepare a Relocation Plan in conformance with the provisions of Title 25 CCR, Section 6038. The Department currently

does not have restrictions on the date of the initial relocation plan, however, should the project receive an award, an updated plan may be required. Relocation plans or other relocation documentation shall be subject to the review and approval by the Department. For further guidance, refer to Section V of the July 2020 NOFA.

Scoring

- 1. Our project has development on the North end, partial on the West. On the East there is largely vacant land but has been developed to include a trail and landscaping, and will be home to large park development. Would the trail qualify as any of the highlighted above? Is this language to say that parks/trails will not be used in the calculation of the meeting the 75% of the perimeter requirement?**

That leads to my larger concern that the definition of what qualifies as Urban Use doesn't seem to specifically state "Recreational Uses" such as parks or trails, only the mention of "improved parks" which does not shed light on what kind of parks are permitted. Believe before Final Guidelines are published it would be beneficial to include/clarify recreational uses in this language as many projects are located near parks and other publicly accessed sites. Similarly, to AHSC, language that states anything "Currently Developed" qualifies as Urban Use and would likewise be appropriate to reduce the grayness of what qualifies as Urban Use.

Answer: Based on the information provided, the Department is unable to provide a determination without review of a complete application and supporting documentation. MHP Guideline Section 7320(b)(6)(A) states 'Five points will be awarded for infill development, including adaptive reuse of vacant and underutilized commercial or industrial building located in a developed area served with public infrastructure'. The sponsor must provide a completed MHP application, selecting on the Scoring Tab the applicable option as it applies to the Project. Supporting documentation must also be provided which must include aerial photos of the proposed site (Attachment 54 on the MHP Application Document Checklist). The Department recommends that the application include a thorough explanation as to why you believe this project would qualify for points in this category.

- 2. When calculating the unit mix and its points and to earn 10 additional points, is the manager's unit considered in the calculation?**

For example, we have a total of 50 units for a Senior Development.

According to the guidelines, 20% of the larger units must be at 25% or 30% AMI for 10 additional points. In our project, 6 units including the manager's unit, are two-bedroom units (the largest) and the remainder are 1-bedroom units.

Answer: Per MHP Guidelines 7320(b)(1)(B) Project Selection: An additional 10 points will be awarded to projects where at least 20 percent of the Restricted Units are restricted as follows:

- i. To households with incomes not exceeding 25 percent of AMI, in counties where AMI exceeds 150 percent of median family income for California, as reported by HUD (currently San Francisco, Santa Clara, San Mateo and Marin counties); or
- ii. To households with incomes not exceeding 30 percent of AMI, in other counties.

The managers unit is not considered in the calculation.

3. Can the project receive points under the two below sections of 7320(b)(2) – Addressing Most Serious Local Housing Needs?

(ii) Large Family having at least 15 percent of the Restricted Units restricted under the Program regulatory agreement for occupancy by Special Needs Populations as defined at section 7301(z). (if yes, Services Plan worksheets will open automatically)

(i) Project will have at least 10 percent of the Restricted Units restricted under the program regulatory agreement for occupancy by homeless households.

The Special Needs and Homeless units are already restricted under VHHP. Which means MHP will be restricting the 40 general affordable units and not the homeless units. Those sections refer to “the Program”, does that mean MHP or can it be another Department Program (VHHP)?

Answer: The reference to the Program in the 2019 MHP Guidelines & July 2020 NOFA is specific to the MHP Program. Points are awarded to Restricted units which are subject to the MHP Program regulatory agreement (i.e. MHP Assisted Units). The VHHP Restricted Units would not be eligible for points under 7320(b)(2).

4. **We understand that 4% federal/state credits and bonds will continue to be counted in the Leverage of Other Funds scoring. Could you confirm if our understanding is correct?**

Answer: There has been no change to the leverage calculation.

5. **TCAC requires that developer fee in excess of their developer fee cash limit (paid from development fund sources) be contributed either as General Partner Equity or deferred developer fee paid from cash flow. The developer fee that is contributed as General Partner Equity is treated as a capital source for the project and is not repaid back to the sponsor. In the Leverage of Other Funds of the Scoring worksheet, it notes that deferred developer fee should be excluded from the scoring -- which we agree is reasonable. However, we would like to confirm that developer fee contributed as General Partner Equity will be counted in Leverage of Other Funds.**

Answer: HCD interprets GP Equity to mean tax credit equity proportional to the GP interest. A GP Equity Contribution to be a “contribution” in the sense that it is tax credit equity foregone. A Developer Fee Contribution, which is strictly a TCAC convention, is considered deferred developer fee, regardless that it will not be paid. The understanding is that TCAC requires excess developer be “deferred or contributed as equity”; however, HCD has no comparable requirement. Deferred developer fees, including developer fee contributions, are not included in leverage calculation for MHP.

6. **Please confirm: The alternative scoring method, 7320(b)(3)(e), only applies to projects that have greater than 70% special needs units AND elect to use this scoring method. Projects with over 70% special needs units may elect not to use this scoring method if they choose, and just use the standard scoring for section 7320(b)(3)?**

Answer: Your understanding is correct.

7. **If a project is a large family project claiming the 10% CES pts in the local needs points section, is the project required to show sponsor SH experience and a Service Plan?**

Answer: To garner points under 7320(b)(2)(C), a project has to have at least 10% of the Restricted Units restricted under the Program regulatory agreement for occupancy by Homeless households, with vacancies filled by the CES.

A Supportive Housing (SH) or Special Needs Population (SNP) project, or a project that has SH or SNP units that are not assisted by other awarded HCD funds, must submit a Supportive Services Plan. In the MHP application, Project Overview tab, additional tabs will open once the SH or SNP radial button is selected.

For projects with SH or SNP units, you will need to complete tab S5- Supportive Services Verification.

For an SNP project type or projects with SNP units, tab S4- Special Needs Experience will need to be completed.

- 8. Based on our understanding (that 4% federal/state credits and bonds are included in Leverage of Other Funds), we don't believe that bank commitment letters should be required. Due to the current market conditions, many bank lenders require credit committee approval and/or more strict underwriting in order to provide commitment letters for applications. Commitment letters were not previously required for MHP applications and we do not understand need for commitment letters for the current MHP round.**

Answer: In the past, 4% tax credits and bond financing were considered “committed” due to their non-competitive nature. This changed when CDLAC made the bond allocations competitive. Although the allocation itself does not require a commitment, to receive points in readiness under Guidelines Section 7320(b)(5)(A)&(D), a commitment from a bond lender is required. Historically, many Sponsors included bank commitments, even when they were not required and Sponsors have indicated that the commitments are not difficult to obtain.

- 9. The Round 3 NOFA seems to indicate that operating subsidy commitment letters are required for Project Readiness. In the previous MHP Round 2 FAQ, HCD confirmed that commitment letters are not required for both rental subsidies and operating subsidies. For this current round, why are operating subsidies treated differently from rental subsidies?**

Answer: Per Guidelines Section 7320(b)(5)(D), to receive points in this category, operating subsidies must be committed, as evidenced by letters of intent, commitment letters, grant awards or subsidy contracts, or, if commitments are not available, other documentation such as a reservation or third-party letter stating the following: total subsidy and estimated first year allocation, date or expected date of award, and term (in years).

Project-based rental assistance does not need to be committed at time of application, but a fully executed contract will be required prior to MHP loan closing. Projects having or proposing project-based rental assistance must provide documentation of current contract rents. Projects having or proposing project-based rental assistance shall fund a Transition Reserve in accordance with Guidelines Section 7312(f)(2).

The Round 2 Q&A was, and is incorrect, although it would have been accepted in Round 2, due to the error in the answer. The Round 2 Q&A has since been removed from the website as it is no longer applicable.

10. In prior rounds, HCD counted other Restricted Units (such as NPLH and VHHP) towards the 10 percent of Restricted Units points. Could you please confirm that you will continue to permit this?

Answer: Points will be awarded under section 7320(b)(2)(C) where at least 10% of the Restricted Units are restricted under a **Department Program** regulatory agreement (e.g. NPLH or VHHP) for occupancy by homeless households, with vacancies filled by referrals from the local coordinated entry system, when and where this system is actively referring households to housing.

Where these units are to be restricted only under the MHP regulatory agreement, the units must be identified as either Supportive Housing or Special Needs **MHP Assisted Units**, and a services plan must be included with the application.

11. (New!) If we are using State Credits in our Proformas, we receive full permanent commitment points correct? We can count those as committed without any other supporting information?

Answer: For the tax credits, that is correct. The Department does not make a distinction between state and federal credits.

12. (New!) With regards to item 48 – Local approvals or more specifically Scoring Tab – Project Readiness (C)(iii), is there a specific set of verbiage that needs to be conveyed from the City where the project is, or is the exact verbiage from Section(C)(iii) is acceptable?

Answer: Item 48 – Local Approvals – in the Document Checklist of the MHP Application is a Threshold requirement.

With regard to Project Readiness 7320(b)(5)(C)(iii), the Department does not have specific verbiage. However, in order to garner points in this section an opinion letter from a planner certified by the American Institute of Certified Planners indicating that the project meets all the requirements for approval under the nondiscretionary local approval process, where an application has not been approved or disapproved by the local authorities would be required.

Supportive Services/Special Needs

- 1. I am trying to interpret the current MHP Guidelines, with respect to an anticipated occupied rehab in Oakland (Alameda County). In particular, I Want to determine if we qualify as meeting “serious housing need” under Section 7320(b)(2). The property is fully-occupied, and is subject to a HAP agreement, with 100% of units reserved for homeless households. All current residents qualified as homeless upon initial occupancy. However, I am not sure that Coordinated Entry was or is being used to fill vacancies. Certainly, a number of residents arrived before coordinated entry was active. Given our circumstances, are we likely to get points under Section 7320(b)(2)(C)?**

Answer: In order to claim the 5 points in Section 7320 (b)(2)(C) – Most Serious Local Housing Need – the Sponsor must complete the following 2 parts:

- 10 percent of the units must be set aside for Homeless Households.
- Vacancies must be filled by referrals from the local Coordinated Entry System (CES), when and where this system is actively referring households to housing.

See definition of “homelessness” under MHP Guidelines section 7301(l). Under this definition, current residents who qualified at initial occupancy would not be affected by the CES requirement, however the CES requirement would be applicable going forward.

- 2. I am preparing an application for the upcoming MHP round and have a few questions about the Supportive Services Plan requirements: The “Collaboration” section under Part VII of the Supportive Services Plan states that “Project sponsors must document collaboration between two or more service providers,” and later clarifies that cooperation between intraorganizational service programs, groups or departments meets this requirement. Would a contract with TNDC’s Tenant and Community Services department, who will be providing social workers and the**

associated service coordination to the project, qualify the project for this requirement?

Answer: The Department is unable to answer project specific questions without the complete application and supporting documents. The MHP application is now available on our website for you to review and complete. When selecting Special Needs or Supportive Housing Project Type (for actual Project Type or for SNP or SH units), the Supportive Service Plan tab will open. Part VII, Collaboration, lists the requirements of, and what is allowable for, collaboration.

- 3. Tab B of the Supplemental Application has a highlighted statement that both Supportive Housing and Special Needs projects must complete the Supportive Services Plan and other related worksheets, however on the rows below this statement where the sponsor selects a housing type, only the Supportive Housing type states these forms must be completed (SNP type does not). The instructions at the top of the Supportive Services Plan tab also only state that Supportive Housing projects must complete the plan. Can you please confirm whether Special Needs projects are required to complete the Supportive Services Plan and associated attachments?**

Answer: The MHP Round 3 Application and NOFA are now available on-line on the MHP website. Supportive Services Plans are required for any Special Needs or Supportive Housing project type, or if your project has any Special Needs or Supportive Housing Units. The MHP Guidelines Sections 7302 (f) & (g) and 7324 (d)(13) list the requirements of a Supportive Service Plan.

- 4. I have a clarification needed for the MHP application. Do we need to submit a fully executed MOU for the Lead Service Provider of the project or will a letter of commitment count?**

Answer: Per Guidelines Section 7302(f)(3), a written agreement between the lead service provider and Sponsor or project owner satisfactory to the Department, must be submitted with the Program application. References to this requirement can also be found in the MHP Application under the S1-Supportive Services Tab and on the Document Checklist as Attachment #24.

- 5. Can you confirm that no Coordinated Entry System narrative is required?**

Answer: A Coordinated Entry System (CES) narrative is no longer a requirement on the MHP Application Document Checklist. For further detail on the CES, as it relates to eligible projects, please refer to 7302(e)(4) and 7302(f)(5). As it relates to scoring, please refer to 7320(b)(2)(C). Additionally, the opportunity to describe how the CES will be used for selecting tenants can be found in the MHP

Application under the “S1-Supportive Services Plan” tab in Part I, Section 1(e).

6. Can you confirm that Sponsor Comps are not required, unless the Special Needs Alternative Scoring is utilized?

Answer: Sponsor Comps (notice of completion, place in service, cert of occupancy or equivalent) are not required, unless the Special Needs Alternate Scoring Method is utilized. However, HCD does require operating expense comparables as outlined on the MHP Application Document Checklist, item #18. Applicable information must also be included in the Scoring tab of the MHP Application under Development and Ownership Experience.

7. The application we are submitting is for supportive housing. Do we need to complete the portion called Special Needs?

Answer: If the project being submitted does not qualify as a Special Needs Project Type or does not contain any Special Needs units, the S4 - Special Needs Experience tab is not required to be completed.

8. If a project is not special needs or supportive, will checklist items 19-27 still be required as they are not really applicable?

Answer: Supportive Services Plan and related checklist items are only required for projects that include Special Needs Populations or Supportive Housing restricted units as defined by MHP Guideline Section 7301(z) and (aa).

9. If we intend to submit a senior application that has nominal special needs tenants and county services are tied to the vouchers, do we need to provide a supportive service plan and complete the supportive service section of the application?

Answer: Supportive Services Plan will be required for all projects that include any Special Need Populations (SNP) units.

Please refer to the June 2019 Guidelines Section 7301 for Special Needs Populations Definitions and July 2020 NOFA Section III(F)(3)(h) for minimum threshold requirements.

When completing the MHP Application, the Special Needs project type check box on the Project Overview tab, must be selected to ensure all required Special Needs tabs populate.

10. On the Supportive Services Plan Verification, if there are several supportive service providers for a project, can the verification be signed by different

funding or regulatory agencies indicating review of program specific services (e.g.) mental health services vs. other types of services) that they are adequate and appropriate for the proposed target population? Can there be several verifications? Or, is there to be only one supportive services verification for the entire service plan? Specifically, I am trying to determine if a service provider is only providing mental health services for example, can the regulatory agency provide a verification that the proposed services have been reviewed and are adequate and appropriate, while another agency review and provides verification of adequacy and appropriateness of other services. Or, does one agency need to review the entire supportive services plan and provide a verification of adequacy and appropriateness?

Answer: In the MHP Application, select the radial button on the Project Overview tab that is applicable for the project. In order for any of the Supportive Service tabs to open, the Supportive Housing and/or Special Needs radial buttons will need to be selected. Tab S1, Sections 1 & 2 allow applicants to complete sections for the Lead Service Provider (LSP), in addition to any other entities that will be providing services. The LSP is the entity that has overall responsibility for the provision of supportive services & implementation of the Supportive Services Plan. The LSP provides comprehensive case management services (individualized services planning & the provision of connections to mental health, substance use, employment, health, housing retention) and may also coordinate with other agencies that do so.

Tab S5 – is the Supportive Services Plan Verification in the MHP application. Applicable information for all target populations of the service plan must be entered here. This verification tab is specific in reference to the Lead Service Provider and verifications from other service providers would not be necessary.

11. If a public agency is providing some of the supportive services (non- lead service provider) to a project via subsequent contracts (via RFP processes), what level of documentation will be adequate to demonstrate the skills, abilities and knowledge of the case managers? Are sample RFP and contracts for previous providers acceptable? Is this still a requirement of the new NOFA?

Answer: Yes, this is still a requirement. Please refer to the July 2020 NOFA Section III(f)(3)(h)(viii) and the MHP application, tab S1 Supportive Services Plan, Part II, Section 1.

12. Services funding commitment letters; Include: Project name; description of services; dollar value of funds or in-kind services; if cash is provided, state funding source; funding term; description & history of agency/org.

providing funding or services. If the services are in kind, do we need to include the funding source, funding term, description, and history of agency providing services? Or, is this detail only required for cash?

Answer: MHP Guidelines Section 7324(d)(13) list the requirements for a supportive services plan.

Please refer to the MHP Application Tab S1 Supportive Services Plan

Part VI. Supportive Services Budget, Section 2

This section requires applicable data which can include in-kind services and cash services provided. Supporting documentation should be provided as described in the attachments related to supportive housing or special needs units in the document checklist.

13. The loan limits attached have higher loan limits for Supportive Housing units vs other Restricted units. Could you confirm if the Supportive Housing unit loan limits also apply MHP Special Needs units or is it actually just Supportive Housing units? We are asking because in other parts of the application areas are labeled for only Supportive Housing, but also appear to apply to Special Needs units. Example: on the Document Checklist tab items 20-23 say “SH” for supportive housing but it’s our understanding that projects with Special Needs units need to complete those items as well.

Answer: MHP Guideline Section 7307(b)(2) states the initial base amount shall be \$175,000 per Supportive Housing Unit [...] and \$150,000 per other Restricted Units. Supportive Housing is defined in Section 7301(aa). The MHP Application, on the Project Overview Tab, has radial buttons to select as appropriate, which include Special Needs Population (SNP) or Supportive Housing (SH). If the project is SNP or SH, or has SNP or SH units, tabs will open and are required as applicable. The Document Checklist, located in the application, lists attachments that are required for SH or SNP projects. Attachments #20-23 are SH requirements only.

14. (New!) If we are proposing a Senior Project with Special Needs, can we have the entire project be 55+ instead of 62+?

Answer: MHP Guideline 7302(e)(3) defines a Senior Project as all units are restricted to residents who are 62 years of age and older. However, there are some exceptions, including restrictions applicable to residents age 55 years of age or older, that are noted which may or may not apply to the proposed project.

It is the responsibility of the Sponsor to determine if the project meets the requirements of the MHP Guidelines. Supporting documentation including a Fair Housing Legal Opinion letter is required per MHP Application, Document Checklist, Attachment #16 and; this is a threshold requirement for Senior Projects.