Permanent Local Housing Allocation (PLHA) Program

Competitive Non-Entitlement Local Government

NOFA and Application Worksho
September 2020

California Department of Housing and Community Development

Hi, I'm Melanie and welcome to the Department of Housing and Community Development Webinar for the Permanent Local Housing Allocation (PLHA) Program Non-Entitlement Local Government Competitive Notice of Funding Availability.

Our goal is to provide you with the information and tools to ensure you submit a complete application.

Presenters

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Today you'll be hearing from myself and additional PLHA team members: Doniell, Douglas, Jennifer and Veronika.

If you have any questions following this presentation, please email them to CPLHA@hcd.ca.gov and one of us will respond to you.

Topics of Discussion

- Competitive Allocation Component Overview
- Threshold Review
- Fiscal Integrity (Feasibility)
- Rating & Ranking
- Application Review
- Application Submittal
- Relocation and Article XXXIV
- What's Next

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The topics we will cover today are Competitive Allocation Component Overview, Threshold Review, Fiscal Integrity, Rating and Ranking, How to complete the Application, Application Submittal, Relocation and Article 34, and finally, What's Next.

Competitive Allocation Component Overview

I will be covering NOFA overview, funding availability, timeline, eligible applicants, eligible activities and loan terms.

NOFA Overview

Authority

- Senate Bill 2 (SB2) 2017
  - Atkins, Building Homes and Jobs Act
- Health & Safety Code (HSC) Part 2 of Division 31, Chapter 2.5

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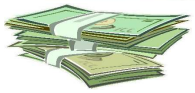
Funding for this NOFA is provided pursuant to Senate Bill (SB) 2 (Chapter 364, Statutes of 2017). SB 2 established the Fund and authorizes the Department to allocate 70 percent of moneys collected and deposited in the Fund, beginning in calendar year 2019, to Local Governments for eligible housing and homelessness activities. The intent of the bill is to provide a permanent, on-going source of funding to Local Governments for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. The non-Entitlement competitive grant program component prioritizes assistance to persons experiencing or At risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income, also known as AMI.

Funding Availability



- **How much is available in this NOFA?**
  - $15 million (approx.)
- **Maximum application amount?**
  - $3 million (Project)
  - $1 million (Program)
- **Minimum application amount?**
  - $500,000
- **Administrative Expenses?**
  - Up to five percent of the grant amount

The total allocation amount will be distributed equally to eligible activities, based on scores relative to all other applications.

Applicants may apply for one activity, which may include only one project or one program activity.

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There is approximately $15 million available for this NOFA. Of this $15 million, $7.5 million is available for Activity 1, and $7.5 million is available for Activity 2. We will discuss later in the presentation the differences between Activity 1 and Activity 2.

With regard to maximum application amounts, $3 million is the limit for projects which consist of the following: development of a new or substantial rehabilitation of multifamily rental housing to household at or below 60 percent AMI, development of a navigation center, or a new construction, rehabilitation, or preservation of a permanent or transitional housing.

$1 million is the application limit for program activities for assistance to persons who are experiencing or At risk of homelessness. Program activities includes rapid rehousing, rental assistance, supportive housing and case management services, operating cost for navigation center and street outreach.

The minimum application amount is $500,000.

A maximum of 5 percent of the award may be used for administrative expenses.

Applicants may apply for one activity, which may include only one project or one program activity.

Timeline

NOFA Release	**August 31, 2020** *Amended November 6, 2020
Applications Due	**November 30, 2020**
Award Announcements	**March 2021**

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The NOFA was release on August 31, 2020 and was amended on November 6, 2020. The application is due November 30, 2020. We anticipate award announcement to take place sometime in March of 2021. Application packages must be submitted on a USB flash drive via USPS or courier to HCD by 5:00pm on November 30. Please **DO NOT** send in a binder or any paperwork, as we will not be collecting anything other than the data contained on the flash drive in order to review your submission.

Eligible Applicants

Non-Entitlement Local Governments

– See Appendix A in the NOFA for a list of eligible Applicants

*For applications including the development of a Rental Housing Project, the Sponsor must be a co-Applicant with the Non-Entitlement Local Government (Guidelines, Section 400)

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An applicant must be a Non-entitlement local government, which means it must be:

--A local government in an area that is not a metropolitan city or part of an urban county as determined by the United States Department of Housing and Urban Development (also known as HUD) in 2017.
or
--A local government that as of September 1, 2017 was an unincorporated city with a population of less than 50,000 or a county with an unincorporated area population of less than 200,0000, and had not entered into a three-year Urban County Co-operation Agreement.
or
--A local government that was not otherwise entitled to receive CDBG funds from HUD.

Please reference Appendix A for a list of eligible applicants for Non-Entitlement local governments entities for fiscal year 2019-2020

Eligible Activity #1

- Development of new multifamily rental housing that is Affordable to households at or below 60 percent AMI

Or

- Substantial rehabilitation of multifamily rental housing that is not currently restricted as affordable housing but after rehab will be Affordable to households at or below 60 percent AMI
  - No less than $40,000 in hard construction costs per unit

Or

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As previously stated, applicants may apply for one activity, which may include only one project or one program activity**.** Eligible activities are limited to the following and must take place within the jurisdiction of the local government.

Activity 1: Development of new multifamily rental housing that is Affordable to households at or below 60 percent of AMI. The applicable sponsors must be a co-applicant with the Local Government.

Activity 1 also includes substantial rehabilitation of multifamily rental housing that is **NOT** currently restricted as affordable housing, but after rehab will be Affordable to households at or below 60 percent AMI. A rehab project **MUST** complete a minimum of $40,000 in hard construction costs per unit.

All assisted rental units shall be restricted to a period of affordability for no less than 55 years. All development projects must demonstrate fiscal integrity. For projects utilizing 4 percent tax credit, please review developer fees limits.

Eligible Activity #2

Assisting persons who are experiencing or At risk of homelessness, including, but not limited to:

- Rapid rehousing or rental assistance
- Supportive services and case management services that allow people to obtain and retain housing
- Operating costs for navigation centers
- Development of navigation centers
- Construction, rehab, or preservation of permanent or transitional rental housing

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Lastly, eligible activity #2 is assistance to persons who are experiencing or At risk of homelessness, including: rapid rehousing, rental assistance, supportive services and case management services, operation cost for navigation centers, and street outreach.

Activity #2 also includes: capital costs for navigation centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing. This means development or rehab of permanent or transitional housing projects.

Please note that homeless providers are not required to be a co-applicant, but they are permitted to be, and if the local government isn't developing the navigation centers themselves and they apply without the owner of the property, then the required supporting documentation will not be in the name of the local government and will not be acceptable.

Loan Terms

- Assistance must be in the form of a low-interest, deferred loan to the Sponsor of all rental projects
- Loan shall be evidenced through a Promissory Note, secured by a Deed of Trust
- Regulatory Agreement shall restrict occupancy and rents for all rental projects for at least 55 years

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PLHA allocations used for creating loans for rental projects must be in the form of a low-interest deferred loan to the sponsor. Loan shall be evidenced through a Promissory Note and secured by a deed of trust. Rental housing projects occupancy and rents must be restricted for no less than 55 years.

Now I'll pass it over to Veronika to discuss Threshold Requirements.

Threshold

Threshold Requirements

***at time of Application* – Activity #1 & Activity #2**

1.(a) Housing Element Compliance

- Applicant must have an adopted HE by the jurisdiction's governing body by the application deadline date

➡ **WEBSITE: https://www.hcd.ca.gov/community-development/housing-element/docs/status.pdf**

(b) Annual Progress Report for Housing Element

- APR for current year or prior year
- The Department will not accept other reports in lieu of the APR

(c) Application is authorized by the governing board of the Applicant **and** by the co-applicant, if any.

- Certification in the Resolution that if Local Government proposes to subgrant funds, the selection process shall avoid conflicts of interest and shall be accessible to the public

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We'll start with the threshold requirements both for Activities #1 and #2.

First, let's talk about the Housing Element compliance. Applicants must have a Housing Element that has been adopted by the local government's governing body before the application deadline and subsequently determined to be in substantial compliance with state Housing Element Law.
When completing your application, you'll find the Housing Element compliance requirement located in the "Overview" tab.
To find the local government's current Housing Element compliance status, please visit the website provided on this slide.

Applicants must also submit to HCD the Annual Progress Report (or APR) required by General Code section 65400. Please note, there will be no document substitutions to the APR – it must be *this* report.

Applicants must submit a complete application. The application submission must be authorized by the governing board of the Applicant and by the co-applicant, if any. You will also include certification in the resolution that if the Local Government proposes allocation of funds for any activity to another entity, the selection process

shall avoid conflicts of interest and shall be accessible to the public.

Threshold Requirements

***at time of Application* – Activity #1**

1. (c) *(continued)*

Demonstration of readiness (development projects)

- Site control
- Land use Entitlements
- Environmental review
- Commitments of other funding and other resources required

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Demonstration of readiness for Activity #1 will include site control for development projects.
For all projects, demonstration of readiness will include: land use entitlements, environmental review, and commitments of other funding and resources.

Rental Project Underwriting Requirements

(for any project under either activity)

1.(c) *(continued)*

Underwriting Requirements

- UMRs and MHP Guidelines incorporated by reference
- Section 8312(c) amended (NOFA, pp. 4-5)
- Section 8312(d) doesn't apply
- UMR Section 8314(a)(1)(A) amended (NOFA, p. 5)
- Period of affordability: All assisted rental units shall be restricted for not less than 55 years.
- Development projects must demonstrate fiscal integrity

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Applicants applying for a project under either activity must also follow the underwriting requirements provided in section II: Program Requirements, sub section (D)(5) of this NOFA. Included in these requirements is a minimum of 55 years of affordability restriction for all assisted rental units. Also, development projects must demonstrate fiscal integrity, which we will discuss in further depth on the next slide.

Threshold Requirements

at time of Application –

(for any project under either activity)

1.(c) *(continued)*

Documents used to demonstrate fiscal integrity (rental housing development projects).

A. Sponsor's organizational documents

B. Market study – dated no earlier than 12 months prior to application due date (11/30/2020)

C. Appraisal - no earlier than 24 months prior to application due date

D. A preliminary title report

E. New construction – Phase I Environmental Site Assessment (no earlier than 12 months prior to application due date).

F. Rehabilitation projects – lead-based paint, mold, and asbestos reports.

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Demonstration of fiscal integrity is a requirement for all development projects. This includes, but is not limited to:

a. The Sponsor's organizational documents;
b. A market study prepared in accordance with California Tax Credit Allocation Committee (aka TCAC) requirements prepared or updated no earlier than 12 months prior to the application due date, which demonstrates a market for the non-Assisted Units and documents the anticipated need for the Assisted Units;
c. An appraisal prepared or updated at the Sponsor's expense no earlier than 24 months prior to the application due date.
d. A preliminary title report;
e. For new construction projects, a Phase I Environmental Site Assessment prepared or updated no earlier than 12 months prior to the application due date, and a Phase II environmental report if recommended by the Phase I;
f. For rehabilitation projects, lead-based paint, mold, and asbestos reports.

Threshold Requirements

at time of Application – Activity #2

1. (c) *(continued) :* Demonstration of readiness based on the selected activity

- Program Activities
  - Timeline for the implementation of the activity
  - A written plan describing how funds will be used
  - Guidelines for determining amount of funds to be provided
- Development Projects or Navigation Centers
  - Site control
  - Land use Entitlements
  - Environmental review
  - Commitments of other funding and other resources required

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To demonstrate readiness for Activity #2 if you've selected a program activity, the applicant must provide the timeline for the implementation of the activity. This must include a written plan describing how funds will be utilized and guidelines for determining the amount of funds to be provided based on the activity you've selected.

Development projects or navigation centers will need to demonstrate readiness by including land use entitlements, environmental review, and commitments of other funding and resources. Development projects will also need to provide proof of site control.

With that, I'll hand the presentation over to Douglas who will discuss Feasibility.

Fiscal Integrity (Feasibility)

Development Budget – UA

Required for all Rental Housing Projects

Contractor Overhead/Profit/General Requirements

- Not to exceed 14% of site work and structures

Hard-Cost Contingencies

- Rental New Construction 5% of construction costs minimum
- Rehab 10% minimum
- Higher amounts must be explained

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When reviewing the Development Budget, you must verify the following:

Contractor Overhead and Profit cannot exceed 14% of the cost of site work plus structures, excluding builder's general liability insurance.

Hard-cost contingencies are limited to 5% for New Construction projects and 10% for Rehab projects.

If amounts exceed these limits, a letter of explanation or comments must be provided.

Development Budget

Required for all Rental Housing Projects

"Other" costs specified

Other: (Specify)

- Other costs need to be specified in the Universal Application (UA). Anytime you add an "Other" cost, please remove the "(Specify)" in parentheses and state what is the cost.

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Anytime you add an "Other" cost, please remove the (Specify) in parentheses and state what the cost is.

Additionally, if there are multiple costs included in a single line item, please break them out in the comment section to the right of the spreadsheet.

Development Budget continued

Required for all Rental Housing Projects

- Capitalized Operating Reserve required:

Tax Credit Projects - 3 months of the following (other Projects 4 months) of the following:

  - Required replacement reserve deposits
  - Non-contingent debt service payments
  - Projected operating expenses

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An Operating Reserve is required to cover operating shortfalls resulting from Department-approved Operating Expenses exceeding Operating Income beyond the rent-up period.

The operating reserve is calculated from replacement reserve deposits, Non-contingent debt service, and Projected operating expenses (excluding the cost of on-site Supportive Service Coordination).

For Tax Credit Projects, the Department requires 3 months reserves and Non-Tax credit projects require 4 months reserves.

Development Budget

Required for all Rental Housing Projects

Transition Reserve Requirement:

(See MHP Guidelines, Section 7312(f)2)

- For projects utilizing Project Based Rental Assistance or subsidies
- Amount needed to cover one year of rental assistance after the assistance or subsidy ends

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Transition reserves are required when a development utilizes project based rental assistance.

In the event that a rental assistance contract is terminated, the reserve must be sufficient to prevent rent increases for rent assisted Units for one year after the rental assistance ends.

See MHP guidelines section 7312(f)2 for this requirement.

Total Development Cost

Required for all Rental Housing Projects

High Cost Verification (TBL and High Cost Test tab in the UA)

- If exceeds 160%, explanation is required
- May result in disqualification

		TOTAL HCD ADJ. THRESHOLD BASIS LIMIT:	$0
		Adjusted Threshold Basis Limit multiplied by 160%:	$0
		HCD HIGH COST TEST RESULT: 0%	
(j)	Total Eligible Basis *(Dev Budget F117)*	$0	

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There is a High cost Verification calculator as part of the Application on the Threshold Basis Limit (TBL) and High Cost Test tab.

If the High Cost Verification exceeds 160%, an explanation is required and may result in disqualification.

Operating Budget

Required for all Rental Housing Projects

The Department will review the Operating Budget for completion of the following:

- Employee Information
- Bookkeeping/Accounting Services
- Annual Bond Issuer Fee
- Mandatory Debt Service

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The Department will review the Operating Budget for, but not limited to, the following:

The Employee Information section
Bookkeeping/Accounting Services
Annual Bond Issuer Fee, and
Mandatory Debt Service

Operating Budget

Rental Housing Projects

Important

Annual Income And Expenses 7/15/20

EMPLOYEE INFORMATION

No.	FTE	Employee Job Title	Salary / Wages	Value of Free Rent	Comments
1	1.00	On-Site Manager(s)	$62,266	$0	
1	0.32	On-Site Assistant Manager(s)	$42,432	$0	
		Supportive Services Staff Supervisor(s)	$0		
		Supportive Services Coordinator, On-Site	$0		
		Other Supportive Services Staff (inc. Case Manager)	$0		
2	2.00	On-Site Maintenance Employee(s)	$96,858	$0	
		On-Site Leasing Agent/Administrative Employee(s)	$0	$0	
		On-Site Security Employee(s)	$0	$0	
		Other (Specify)	$0	$0	
		Other (Specify)	$0	$0	
		Total Salaries and Value of Free Rent Units	$201,556	$0	
	6711	Payroll Taxes	$18,042		
	6722	Workers Compensation	$9,237		
	6723	Employee Benefits	$36,058		
		Employee(s) Payroll Taxes, Workers Comp. & Benefits	$63,337		
		Total Employee(s) Expenses	$264,893		

EMPLOYEE UNITS

Income Limit	Job Title(s) of Employee(s) Living On-Site	Unit Type (No. of bdrms.)	Square Footage	Comments
None	On-Site Manager(s)	2	710	
		0	0	
		0	0	
	Total Square Footage		710	

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In the past, Applications were submitted without completing the following:
- Number of employees
- FTE (Full Time Equivalent) hours
- Payroll Taxes
- Workers Compensation
- Employee Benefits

I want to specifically point these out, as they are the most common items missed in the application and must be completed.

Please make sure Payroll Taxes, Workers Compensation, and Employee benefits are all broken out as much as possible.

For the employee units section, be sure to include the Job title, Unit type and Square Footage for all employees living on-site.

Operating Budget continued

Rental Housing Projects

If the rental project funding includes another type of Operating Reserve than the Department requires, please include documentation or a letter of explanation providing the following information:

- The purpose of the Reserve
- The source of the funding
- The amount of the funding
- The terms for disbursement

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If the project funding includes another type of Operating Reserve than the department requires, please include documentation or a letter of explanation providing the following information:

The purpose of the Reserve
The source of the funding
The amount of the funding
The terms for disbursement

Operating Budget

Rental Housing Projects continued…

Replacement Reserve Requirement

- New Construction - the lesser of 0.6% of structure cost or $500 per unit
- Rehab - Initially $500 per unit

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Replacement Reserves cover the cost of repairing or replacing failed or damaged capital items and extraordinary maintenance expenses, as approved by the department.

For New construction it is the lessor of:
- 0.6% of the estimated construction costs, (which excludes construction contingency, general contractor profit, overhead, and general requirements)
or
- $500 per unit.

For Rehabilitation, it is initially $500 per unit and is subject to change at permanent loan closing.

Operating Expenses

Rental Housing Projects

Finance Expenses

- Mandatory Debt
  - Balloon Payments not allowed on senior debt
  - Annual debt service
  - Bond Issuer Fees
- Asset Management Fee
  - Not to exceed $34,426 (2020)

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Finance Expenses should include Mandatory Debt.

As a reminder, **generally,** balloon payments are not allowed on senior debt, **EXCEPT** where the Department's regulatory agreement is recorded in a position that is senior to the debt with a balloon payment.

Balloon payments are allowed on junior debt during the term of the Program loan only where the Department determines that the balloon payment will not jeopardize project feasibility.

Asset Management, partnership management, and similar fees are not to exceed the amount allowed. For 2020, the limit is $34,426. (UMR 8314(B)(1))

Cash Flow Analysis

Rental Housing Projects

Cash Flow Analysis

Is Income from Restricted Units based on Restricted or Proposed Rents?

INCOME FROM HOUSING UNITS	Inflation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Restricted Unit Rents	2.5%	0	0	0	0	0	0	0
Unrestricted Units	2.5%	0	0	0	0	0	0	0
Tenant Assistance Payments								
Program:	2.5%	0	0	0	0	0	0	0
Program:	2.5%	0	0	0	0	0	0	0
Operating Subsidies	2.0%	0	0	0	0	0	0	0
Other: (Specify)	2.5%	0	0	0	0	0	0	0
GROSS POTENTIAL INCOME - HOUSING		0	0	0	0	0	0	0

- Application will be underwritten to Restricted Rents
- Regulatory Agreement will be based on Proposed Rents

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For projects that require Proposed Rents: Please select the Proposed Rents drop-down as illustrated here on the cash flow analysis.

The application will be underwritten by the Department using Restricted Rents and the Regulatory Agreement will reflect proposed rents.

The project will need to be feasible under both the Proposed Rents and Restricted Rents.

15-Year Cash Flow

Rental Housing Projects

Debt Service Coverage Ratio (DSCR)

- Not less than 1.10 or greater than 1.20
- Exceptions include but are not limited to:
  - 12% Rule
  - project 20-year positive cash flow to assure feasibility

Residual Receipts and Sponsor Distributions

- 50% to Sponsor
- 50% to Department

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The Project must demonstrate a positive cash flow for 15 years utilizing assumptions of an annual 2.5% increase in gross income and 3.5% increase in operating expenses.

The **first year Debt Service Coverage Ratio** should not be less than 1.10 or greater than 1.20, although there are **limited exceptions** to exceeding the 1.20.

Two examples are:

- Cash Flow after debt service does not exceed 12% of operating expenses, also known as “the 12% rule” **OR**

- A project must project a 20-year positive cash flow using the assumptions under UMR 8310 (i) to assure project feasibility.

Residual Receipts and Sponsor distributions are paid 50/50. The Department may share with other public entity Residual Receipt lenders on a pro rata basis.

Private (Sponsor) loans are paid from the Sponsors Distribution.

Now you'll hear about Rating and Ranking from Doniell.

Rating and Ranking

Rating and Ranking: Scoring the Applications

- Point Criteria: See Guidelines Section 403 and the NOFA.

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Applications will be reviewed for Selection and Evaluation points based on criteria set forth in Guidelines Section 403 and the NOFA.

Let’s discuss this criteria in further detail.

Selection Criteria – 1. Priority Points – 25 points

A. Population – 5 points

(i) If the Applicant is a county that has a population of 200,000 or less within the unincorporated areas of the county, the Applicant shall receive all points.

B. Prior Award – 5 points

(i) If the Applicant did not receive an award based on the formula specified in 42 USC, Section 5306 in 2016, the Applicant shall receive all points.

And either C (i) or C (ii) or C (iii) below:

C. Activity

(i) Assistance for Homeless Persons through Program Activities **-15 points**

(a) Applications to assist persons experiencing or At risk of homelessness, including but not limited to, through programs providing rapid rehousing, or rental assistance, or operating assistance to navigation centers shall receive all points.

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The first opportunity is Priority Points with a total worth of 25 points MAXIMUM.

To earn the 5 Population points, your jurisdiction must be within a county that has a population of 200, 000 or less within the unincorporated areas of the county.

To earn the 5 Prior Award points, the applicant must not have receive an award based on the formula specified in 42 USC, Section 5306 in 2016.

There are 15 Activity points available for meeting one of the following three activities:

(i) Assisting Homeless persons through Program activities such as rapid rehousing, rental assistance, or operating assistance to navigation centers.

Selection Criteria (cont.)

Or

(ii) Assistance to Homeless Persons through Development of Navigation Centers – **15 points**

a) Applications for construction of navigation centers shall receive all points.

Or

(iii) Assistance for Homeless Persons through Rental projects – **15 pts.**

a) Applications for the new construction, rehabilitation, or preservation of permanent or transitional rental housing in which all or at least 10 percent of the units are restricted to occupancy by tenants who are homeless or At risk of homelessness shall receive all points.

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(ii) Or by developing navigation centers

(iii) Or by assisting Homeless persons through rental projects which would be the application for new construction, rehabilitation, or preservation of permanent or transitional housing in which all or at least 10 percent of the units are restricted to occupancy by tenants who are homeless or at risk of being homeless.

Selection Criteria (cont.) –
2. Evaluation Criteria – 75 points
Part A

A. Community Need – 30 points

(i) Applicants will receive up to a maximum of 30 points based on the rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset in the Applicant Local Government. Applicants will receive points in proportion to this percentage.

- 0% to 19% ~ 10 points
- 20% - 35% ~ 20 points
- 36% - 50% ~ 30 points

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The next major category is Evaluation Criteria for 75 possible total points.

Community Need is worth a maximum of 30 points and is determined by using HUD's most recent CHAS data.

Applicants will receive points based on the percentage of households experiencing the most severe housing need.

As you can see from the slide, the percentage your jurisdiction's report has will directly coincide with how many points your application will receive for this category. So, at a minimum each applicant will receive 10 points.

Selection Criteria – (cont.)
Evaluation Criteria Part B

B. Applicant Administrative Experience – 15 points

(i) Applicants with prior experience **during the past five years** administering local, state or federal affordable housing or community development programs or who have entered into a contract with an entity with prior experience **during the past five years** in the implementation of local, state, or federal affordable housing or community development programs will receive up to 15 points.

- Applicants with experience administering three to five programs as described above ~ 5 points
- Applicants with experience administering six to eight programs as described above ~ 10 points
- Applicants with experience administering more than eight programs as described above ~ 15 points

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The next section of Evaluation Criteria is the Applicant's Administrative Experience, which is worth 15 points.

This requirement is about experience in administering a local, state or federal affordable housing or community development programs.

The applicant must either have or must be contracting with an entity that has the required experience during the past 5 years between August 31, 2015 and August 31, 2020. **Please note, each time this 5 year period is referenced in the Rating and Ranking section, this is the time period it is indicating.**

An additional factor is the number of programs that have been administered in the last 5 years. In order to receive the minimum of 5 points, you or your co-applicant will need to have administered 3-5 programs, 6- 8 programs to receive 10 points, or 9 or more programs to receive the full 15 points.

Selection Criteria (cont.)
Evaluation Criteria Part C

C. Demonstrated Capacity – 30 points

(i) Capacity points will be based on:

(a) Sponsor experience in Affordable Rental Housing Development and Ownership **in the past five years** (up to 30 points)

- Sponsor has completed and owns two Affordable Rental Housing projects – 10 points
- Sponsor has completed and owns four Affordable Rental Housing projects – 20 points
- Sponsor has completed and owns six Affordable Rental Housing projects – 30 points

Or

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The next category is Demonstrated Capacity. It is worth a total of 30 points and has 3 sub categories . Each applicant is evaluated for points in only one of these sub categories based on the activity applied for.

The first sub-category is in regards to an Affordable Housing Activity –
Sponsors who have completed AND own 2 Affordable Rental Housing Projects over the last 5 years will earn 10 points.

Sponsors who have completed AND owned 4 Affordable Rental Housing projects in the last 5 years will earn 20 points.

Sponsors who have completed AND owned 6 Affordable Rental Housing Projects will earn 30 points.

Selection Criteria (cont.)
Evaluation Criteria Part C section II

(b) Navigation center development experience **in the past five years** (for development of these facilities) (up to 30 points)

- Applicant and/or co-applicant has completed and operated one Navigation center – 10 points
- - Applicant and/or co-applicant has completed and operated two Navigation centers – 20 points
- - Applicant and/or co-applicant has completed and operated three Navigation centers – 30 points

Or

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The second sub category is in relation to the Navigation Center activity. In this case the requirements may be met by the applicant or the co-applicant and is based on the completion and operation of Navigation Centers in the last 5 years.

To gain the full 30 points, the applicant or co-applicant will need to have completed and operated 3 navigation centers.

For the 20 points, two navigation centers must have been completed and operated over the last 5 years.

For the minimum 10 points, it is the completion and operation of one navigation center.

Selection Criteria (cont.)
Evaluation Criteria Part C section III

(c) Program Operator experience (for non-development Activities) **in the past five years** (up to 30 points)

- Program Operator has operated 3 programs of less than $750,000 each – 10 points
- Program Operator has operated 6 programs between $750,000 and $1 million each – 20 points
- Program Operator has operated 9 programs of more than $1 million each – 30 points

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The Final sub-category is for Operator Experience and is associated with non-development activities. Like the other sub-categories, it is worth 30 points and is based on the past 5 years.

There are two requirements for each point section –

For the minimum 10 points, the Program Operator has to have operated 3 programs of less than $750,000 each.

For 20, points the Program Operator has to have operated 6 programs between $750,000 and $1 million each.

If the Program Operator has operated 9 programs of more than $1 million each, then they will qualify for 30 points.

Tiebreaker: In the event of tied point scores and insufficient funding for both applications, the Department shall rank the tied applications as follows:

Tied	Applications	Selected
Affordable Rental Housing Development	Program Activity or a Navigation Center	Affordable Rental Housing Development
Navigation Center	Program Activity	Navigation Center
Affordable Rental Housing Development	Affordable Rental Housing Development	Lowest weighted average affordability of Restricted Units
Navigation Centers	Navigation Centers	The facility that provides overnight shelter to the greatest number of people will be selected
Program	Program	Local government with the highest rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset will be selected.

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REMINDER: As we move on to discussing the tie breaker, please keep in mind that 50% of the funding is designated for Activity 1 and 50% is designated for Activity 2.

Tie Breaker

In the event of tied point scores and insufficient funding for both applications, the Department shall rank the tied applications as follows:

If one of the tied applications is for an Affordable Rental Housing Development and the other is for a program Activity or development of a navigation center, the Affordable Rental Housing Development application will be selected for funding:
If one of the tied applications is for a navigation center and the other is for a program Activity, the navigation center will be selected for funding;
If both of the tied applications are for Affordable Rental Housing Developments, the project with the lowest weighted average affordability of Restricted Units will be selected;
If both of the tied applications are for navigation centers, the facility that provides overnight shelter to the greatest number of people will be selected;
If both of the tied applications are for programs, the Local Government with the

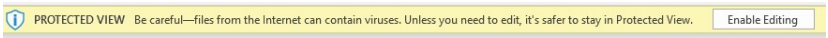
highest rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset will be selected.

With that, I'll pass back to Douglas who will go over how to complete your application.

How to Complete the Application

How to Complete the Application

- Click on the "enable editing" and/or “enable content” button, prior to entering any data



- Applications are to be completed on non-Apple products
- All required documents specified in the document checklist must be submitted
- Applications must be sufficient for us to perform our review
- Start at the beginning and Complete the application from start to finish, in order to minimize error messages

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Click the "Enable Editing" and/or “Enable Content” button(s) before you begin your data input. You will not have full functionality if you skip this step.
Make sure all submissions are completed on non-Apple products, as excel completed on a Mac is not compatible with our systems.
It is our recommendation to complete each tab in order, as some information carries over from one section to the next. If you start from the beginning and continue in order, you will minimize error messages.

Supplemental Application

- **Overview**
- **Legislative Contacts**
- **Development Info** – Multifamily Rental Housing Project or Navigation Center
- **Rental Development Team**
- **Env & Land Use** – Verification of Environmental Review and Land Use Entitlements
- **Certification & Legal**
- **Selection Criteria – Scoring**
- **Application Support**

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These are all the tabs in the Supplemental application. I will go over each tab briefly.

Overview tab, row #4: choose one activity/project:
1. Development of a new or substantial rehab of multifamily rental housing **(MUST COMPLETE AND SUBMIT HCD UNIVERSAL APPLICATION)**
2a. Development of a navigation center
2b. New construction, rehab, or preservation of permanent or transitional rental housing **(MUST COMPLETE AND SUBMIT HCD UNIVERSAL APPLICATION)**
2c. Operating costs for navigation centers
2e. Rental assistance
2f. Supportive and case management services
2g. Street outreach

Legislative Contacts
Enter the legislative and congressional information
Row #4, the hyperlinks take you directly to the website

Development Info
-Row 2: enter the development name and development type

-Keep in mind, Row 7-10 are for rehab projects only

- Row 13 Enforceable funding commitments for all development funding sources.
- Row 14 market study
- Row 16 Site Control
- Row 37 Environmental Reports

Rental Development Team

Please try to complete everything in this tab

Env & Land Use tab

Verification of Environmental Review & and Land Use Entitlements

Certification and Legal status

-Authorized Rep printed name and signature (copied or e-signature is acceptable)

Selection Criteria Section403(a)

-Once you complete the application and response to the questions here, your self-score scores will be populated in the blue shaded cells to the right. You MUST complete this self-scoring worksheet.

-HCD Staff will verify your scores once we receive your application

Application Support tab

-If you have any technical issues with the application, please complete the Application Support tab with as much information as you can and e-mail your application to AppSupport@hcd.ca.gov **AND CC:** CPLHA@hcd.ca.gov

-The two most important things in this tab is the Tab column and cell # column. Please select from the dropdown with the tab you are having an issue with and provide the actual cell #. Here is an example.

Universal Application

- Instructions
- General
- Narrative
- Misc.
- Rents
- Subsidies
- Dev Sources
- Dev Budget
- Perm S&U
- TBL and High Cost Test
- Dev Fee 2019
- Supportive Services Costs
- Reserves
- Operating
- Cash Flow

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These are all the tabs in the Universal application. I will go over each tab briefly.

Instructions tab
Please read the instructions before filling out the UA
General tab
Enter a date in Cell K10
Choose PLHA from the dropdown list in cell N24
Enter loan amount in Cell Q26

Narrative tab
Enter proposed project description.

Site & Units tab
Enter site and unit information

Misc. tab
Enter misc information

Rents tab

This is where you enter rents and unit mix information

Subsidies Tab
This is where you enter subsidy information

Dev Sources tab
This is where you enter construction period sources of funds and permanent sources of funds

Dev Budget tab
This is where you enter your proposed project development budget

Perm S&U tab
This is where you enter Residential Permanent Sources of Funds

TBL and High Cost Test tab
This tab looks very busy, but most of the data are flown over from the Rent tab. Here you only need to complete all yellow shaded cells; see cell comments for tips on how to complete this tab.
Pay attention to Cell AE53, As I mentioned earlier on slide 26, If the High Cost Verification exceeds 160%, an explanation is required and may result in disqualification

Dev Fee 2019 tab
This is HCD 2019 Developer Fee Calculator
Choose a selection in cell F2 and complete yellow shaded cells

Supportive Services Costs tab
Complete yellow shaded cells for project with HCD funding

Reserves tab
This is where you enter the mandatory permanent debt service

Operating tab
This is where you enter annual income and expenses

Cash Flow tab is the cash flow analysis for your proposed project.

Application Review Process

- Threshold (Section 402)
  - Compliance with minimum requirements
  - Fiscal Integrity *(*all Development Projects*)*

    **Additional documents may be requested by the Department to determine fiscal integrity.*
- Rating and Ranking (Scoring)
  - Initial Point Score (before appeal)
  - Final Point (after appeal, if submitted)
- Appeals
  - Decision made by Department
  - Process and Deadlines – refer to the NOFA, p. 9

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The Application Review Process consists of three phases:
-The first phase is Threshold. The department will review the application to ensure it meets the minimum threshold requirements as stated in the NOFA and Section 402 of the PLHA Guidelines.
-For all rental housing projects, staff will also review the Fiscal Integrity (feasibility) during threshold.

**Additional documents may be requested by the Department to determine fiscal integrity.*

-The second phase is Scoring. During this phase, applications will be reviewed based on the scoring criteria set forth in the NOFA and *Section 403 of the PLHA Guidelines.*

You will receive a determination letter from both Threshold and Scoring reviews.

-The third phase is appeals. In the event that the application has been determined

to be ineligible and you wish to appeal, it must be in writing and submitted by the deadline specified in the letter. The basis of the appeal must be on the decision made by the Department in this NOFA only and does not apply to past or future NOFAs. Once a decision is made, it shall constitute the final action of the Department.

Please refer to the Appeals process in the NOFA, starting on page #9

Let's continue on to Application Submittal with Jennifer…

Application Submittal

Application Submittal

- Applications and supporting documentation must be received by HCD no later than: **Monday, November 30, 2020 at 5:00 p.m. PST**

Mail to:

California Department of Housing and Community Development
Division of Financial Assistance, Program Design and Implementation
Permanent Local Housing Allocation Program
2020 West El Camino Avenue, Suite 150
Sacramento, CA 95833

Flash drives are the only acceptable method of submission

Personal deliveries, facsimiles, incomplete applications, application revisions, and/or walk-in application packages will not be accepted.

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You'll submit your applications and supporting documentation using a USB flash drive. Send it to the mailing address listed on the slide by the submission deadline of November 30, 2020 by 5:00pm Pacific Standard Time.

We will not be requiring wet signatures considering we are not accepting binders or paperwork, so please do not submit them.

Application Submittal (cont.)

- Application submission
  - No faxes, late, hard copies or walk-in applications accepted
- Application organization and compliance
- Applications with substantial inconsistencies may result in disqualification
- Applications must meet all eligibility requirements upon submission

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Since this is a competitive NOFA, applications must meet all eligibility requirements upon submission.

It is crucial that your application is organized properly, as it will be evaluated based solely upon the materials contained within the application to determine completeness and compliance.

You will not be able to add items to the application after the due date of Monday, November 30th, so please double check for completeness before submitting.

Remember – any late documents will not be accepted under any circumstances.

Disclosure of Application

- Use discretion - Sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request
- Information becomes public record available for review by the public

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A reminder that you are waiving any claim of confidentiality and consenting to the disclosure of all material upon request.

It is important to note that the information included in your application becomes a public record which is available for review by the public.

Please only provide information specifically requested in the application.

Relocation
and
Article XXXIV

Now I'll go over Relocation and Article XXXIV requirements.

Relocation

Does the **Rental Project** trigger State Relocation Assistance Law (CA Gov Code 7260-7277)?

- If **NO:** Provide a narrative explanation that supports why relocation is not required
- If **YES:** An Initial Relocation Plan is required

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Relocation Law provides important protections and assistance to displaced persons and entities affected by the acquisition, rehabilitation or demolition of real property for Government funded projects.

If your Project is not subject to the State Relocation Assistance Law, you must provide a detailed narrative on the Development Info Tab, Row 11. Simply stating “Not Applicable” or “Vacant Land” will not be sufficient, so please provide a detailed answer.

If your Project is subject to the State Relocation Assistance Law, you must provide an initial Relocation Plan. Please See Guidelines Section 7315 for more details.

The Relocation Plan is subject to review and approval by The Department prior to the disbursement of Program funds.

If the Relocation Plan that is submitted is = (equal to) or > (greater than) a year old, the Department may ask for an update.

Article XXXIV

All Rental Projects must comply with Article XXXIV (NOFA Section VI. B.)

- When the Project is compliant with Article XXXIV, **Allocation Letter** is required from an official and must include:
  - The name and date of the Proposition and the number of units approved;
  - Copy of the referendum and a certified vote tally;
  - Number of units that will remain available for allocation; **AND**
  - The number of units that the Jurisdiction/Locality will commit to this project, including the manager's unit(s)

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All rental projects must comply with Article XXXIV.

Please see section 6 B of the NOFA for further details.

When the Project is compliant with Article XXXIV then an allocation letter is required.
OR
When the Project is claiming an exemption of Article XXXIV then a Legal Opinion Letter is required.

Article XXXIV (cont.)

When the Project is exempt, both the legal requirements of Article XXXIV and the relevant facts of the Project must be considered

- **Legal Opinion Letter** is required and must include:
  - All funding provided by public sources including state, county, or city sources
  - The number of low-income units
  - The conclusion of the project being exempt from Article XXXIV must be supported by facts and the legal theory is supported by the Constitution, statute, or case law

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When the rental project is exempt, both the legal requirements of Article XXXIV and the relevant facts of the rental project must contain all the necessary information, as noted in this slide and also in Section 6 B of the NOFA.

To re-emphasize, you only need to provide an Allocation Letter or Legal Opinion Letter depending on which applies to your Rental Project.

What’s Next

So let’s talk about what comes next in the process.

What's Next?

- Project Reports prepared – *(rental projects only)*
  - 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 Grants Management

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Upon completion of application reviews, PLHA staff will prepare Project Reports, and submit them to our Internal Loan Committee to receive award approval.

Copies of final Project Reports will also be sent to the applicant.

Once our Internal Loan Committee approves these projects, award letters will be sent out, and the applicant will also receive a notification through email.

After these steps, the award package gets submitted to our Contracts team, and they start the process of standard agreements.

Once standard agreements are signed and returned, we then hand the project or program off to our Grants Management team and they begin their process with the applicant(s).

Resources

Permanent Local Housing Allocation (PLHA) Website
https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml

Senate Bill 2, Atkins. Building Homes and Jobs Act
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB2

Health and Safety Code – HSC Division 31. Housing and Home Finance [50000-54034] Part 2. Department of Housing and Community Development [50400-50899.7]
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=HSC&division=31.&title=&part=2.&chapter=2.5.&article=1.

PLHA Final Guidelines
https://www.hcd.ca.gov/grants-funding/active-funding/docs/PLHA-Final-Guidelines-11-19.pdf

PLHA Notice of Funding Availability
https://www.hcd.ca.gov/grants-funding/active-funding/plha/docs/PLHA_Competitive_NOFA_082820_ADA.pdf

Housing Element Compliance
https://www.hcd.ca.gov/community-development/housing-element/index.shtml

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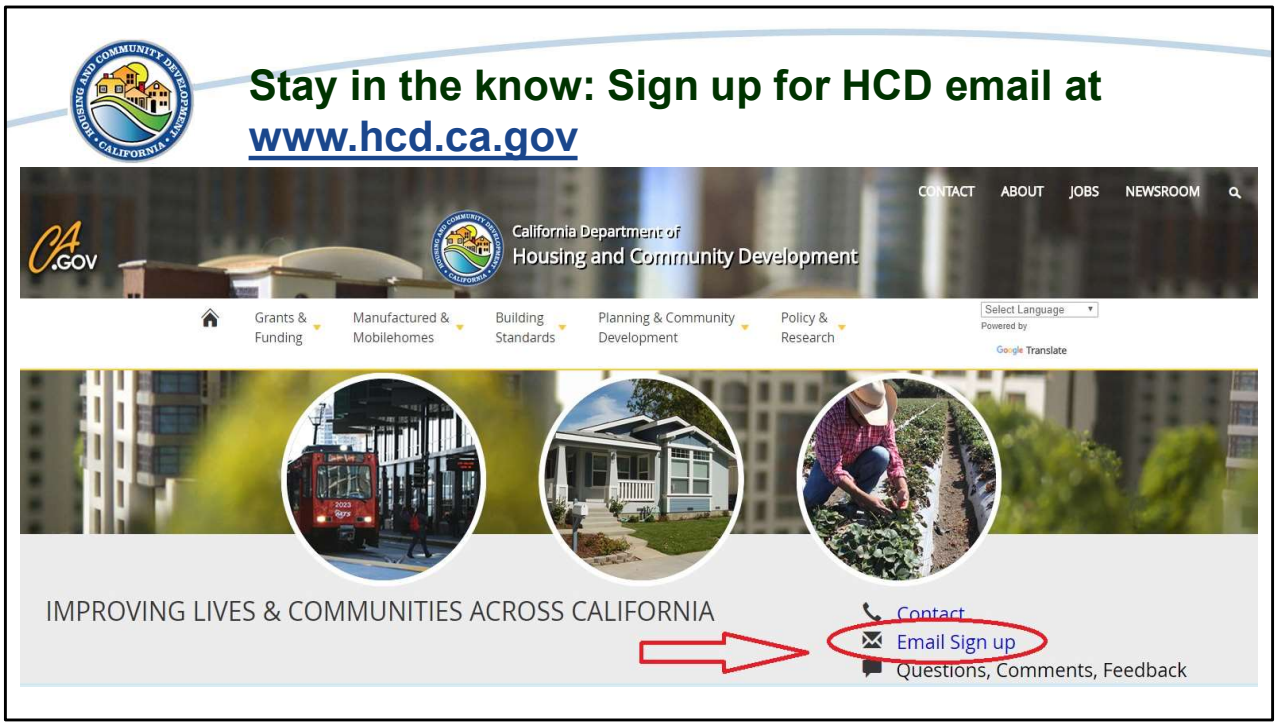
These are links to resources you may use pertaining to this program.



If you haven't already, you can sign up for HCD updates on our website. You can select multiple programs on which to receive emailed news and updates.

Follow HCD on social media

Like us on Facebook: /CaliforniaHCD

Follow us on Twitter: @California_HCD

Follow us on LinkedIn: /company/californiahcd

You also have the option to follow HCD on social media, which is a great way to stay informed on programs and updates.

Contact

Additional questions may be sent to the Competitive-PLHA mailbox

CPLHA@hcd.ca.gov

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Please note – the NON competitive PLHA program has a separate email address.

Please address any questions about this COMPETITIVE NOFA at CPLHA@hcd.ca.gov