

# State of California

## 2019-2020 Annual Action Plan

### Second Substantial Amendment

*The following amendment language will be added to the 2019-2020 Annual Action Plan to allow the state access to emergency funding intended to provide a timely response to the impacts of the COVID-19 pandemic. The full text of the existing plan may be found at <https://www.hcd.ca.gov/policy-research/plans-reports/docs/Draft-2019-20-Annual-Action-Plan.pdf>.*

#### **AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)**

##### **Introduction**

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act or the “CARES Act”. The Act identified additional funding for the Emergency Solutions Grant (ESG) Program, the Community Development Block Grant (CDBG) program, and the Housing Opportunities for Persons with AIDS (HOPWA) to support preparation for, and response to, the community impacts of the COVID-19 pandemic. The distribution plan of the U.S. Department of Housing and Urban Development (HUD) for the additional funding includes multiple phases to allow for quick access to funding necessary to address the immediate crisis resulting from the rising pandemic.

The 2019-2020 Annual Action Plan (AP) is being amended to incorporate additional funding from HUD’s CARES Act distribution plan, and to describe the Methods of Distribution (MOD) for the CARES Act funding in the CDBG and ESG programs. Additionally, the AP is being amended to add in language to the Housing Trust Fund (HTF) method of distribution to better align the funding with HUD’s regulations and add flexibility to the HTF funding. Changes in the subsidized housing market resulting from increased construction costs, lack of construction labor, shortage of matching funds, and delays in funding and predevelopment due to COVID-19 have resulted in a potential shortfall of HTF eligible new construction projects. In order to make sure all of the HTF funding is allocated to projects as part of the Housing for Healthy California (HHC) program this amendment to the HTF method of distribution will add allowable flexibility to the program. This amendment will not change the function or the funding amounts available to the HTF.

##### **Summary of Citizen Participation Process and consultation process**

The Substantial Amendment to the 2019-2020 Annual Action Plan (AP Amendment) addressing additional funding from the CARES Act will be available for a public comment period of at least 5 days per waiver of federal regulations. The waiver may be found at <https://www.hudexchange.info/resource/6007/availability-of-waivers-of-community-cpd-grant-program-and-consolidated-plan-requirements-to-prevent-the-spread-of-covid19-and-mitigate-economic-impacts-caused-by-covid19/>, and the Federal Register Notice at

<https://www.hudexchange.info/resource/61113/fr-6218-n-01-notice-of-program-rules-waivers-alt-requirements-under-cares-act-cdbg/>. The waiver allows for added flexibility in the ESG, CDBG and HOPWA programs, while the notice provides specific guidance for the CDBG program and for general planning regarding other programs in the 2019-2020 Action Plan.

The draft AP Amendment is available for comment from all interested members of the public from **Monday, August 31, 2020 to Tuesday, September 8, 2020**.

A virtual public hearing about this amendment to the AP will be held on **Thursday, September 3, 2020**.

The draft AP Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

Please submit written comments to [ConsolidatedPlan@hcd.ca.gov](mailto:ConsolidatedPlan@hcd.ca.gov).

Comments may also be mailed to:

California Department of Housing and Community Development  
Federal Branch Suite 200  
2020 W. El Camino Ave  
Sacramento CA, 95833

## **AP-12 Participation - 91.115, 91.300(c)**

### **Summary of citizen participation process/Efforts made to broaden citizen participation**

The AP Amendment addressing additional funding from the CARES Act will be available for a public comment period of 5 days per waiver of the federal regulations. The draft AP Amendment is available for comment from all interested members of the public from **Monday, August 31, 2020 to Tuesday, September 8, 2020**. A virtual public hearing about this amendment to the AP will be held on **Thursday, September 3, 2020**.

The draft AP Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

## **AP-15 Expected Resources – 91.320(c) (1,2)**

### **Introduction**

The CARES Act provides one-time funding for the following HUD administered state-level programs. Funding designations for HUD administered CARES Act funds is Coronavirus relief (CV).

- Emergency Solutions Grant CARES Act Stimulus (ESG-CV),
- Housing Opportunities for Persons with Aids CARES Act Stimulus (HOPWA-CV), and
- Community Development Block Grant CARES Act Stimulus (CDBG-CV).

The first round of CV funding provided funding to all three programs and the AP amendment for those funds was made available to the public in April 2020. This amendment provides the

method of distribution for the second round of ESG-CV and CDBG-CV. Future rounds of HOPWA-CV will be planned through a separate AP amendment.

### **Anticipated Resources**

The anticipated resources for the ESG-CV and CDBG-CV programs are based on award letters received in May and June of 2020 and indicate actual awards for these funds. Future funding for CDBG-CV is expected to address longer term impacts of the COVID-19 pandemic, however those funds will be programmed through future plans and amendments. See table of anticipated resources on following page.

| Program         | Source of Funds | Uses of Funds  | Expected Amount Available Year 1 |                |                      |               | Expected Amount Available Reminder of ConPlan | Narrative Description   |
|-----------------|-----------------|--|----------------------------------|----------------|----------------------|---------------|---|---|
|                 |                 |  | Annual Allocation                | Program Income | Prior Year Resources | Total         |   |   |
| <b>ESG-CV</b>   | Public Federal  | Financial Assistance, Overnight shelter, Rapid-Rehousing, Transitional housing         | \$43,990,603                     | \$0            | \$0                  | \$43,990,603  | \$0   | One-time award of funds – Tranche 1<br><br>Programmed in April 2020 |
| <b>ESG-CV2</b>  | Public Federal  | Financial Assistance, Overnight shelter, Rapid-Rehousing, Transitional housing         | \$271,730,986                    | \$0            | \$0                  | \$271,730,986 | \$0   | One-time award of funds- Tranche 2                                  |
| <b>CDBG-CV1</b> | Public Federal  | Acquisition, Admin and Economic Development, Public Services and Facility Improvements | \$19,331,744                     | \$0            | \$0                  | \$19,331,744  | \$0   | One-time award of funds – Tranche 1<br><br>Programmed in April 2020 |
| <b>CBDG-CV2</b> | Public Federal  | Acquisition, Admin and Economic Development, Public Services and Facility Improvements | \$113,263,490                    | \$0            | \$0                  | \$113,263,490 | \$0   | One-time award of funds- Tranche 2                                  |

|                 |                |   |           |     |     |           |     |   |
|-----------------|----------------|---|-----------|-----|-----|-----------|-----|---|
| <b>HOPWA-CV</b> | Public Federal | Permanent housing in facilities, Permanent housing placement, Short term or transitional housing facilities, STRMU Supportive Services, Tenant Based Rental Assistance (TBRA) | \$578,909 | \$0 | \$0 | \$578,909 | \$0 | One-time award of funds – Tranche 1<br>Programmed in April 2020 |
|-----------------|----------------|---|-----------|-----|-----|-----------|-----|---|

## AP-20 Annual Goals and Objectives – 91.320(c)(3) &(e)

### Goals Summary Information

The figures below represent estimates of allocation goals and objectives for the additional funding provided under the CARES Act. These figures are determined by the funding recipients' priority needs. The below lists include both first and second rounds of CARES Act funds.

| Sort Order | Goal Name   | Start Year | End Year | Category | Needs Addressed                             | Estimated Funding        | Goal Outcome Indicator  | Total |
|------------|---|------------|----------|----------|---|--------------------------|---|-------|
| 1          | Provide homeless assistance and prevention services | 2020       | 2020     | Homeless | Homeless assistance and prevention services | ESG-CV1<br>\$43,990,603  | Tenant-based rental assistance/ Rapid Rehousing (Households Assisted) | TBD   |
|            |   |            |          |          |   | ESG-CV2<br>\$271,730,986 |   |       |
|            |   |            |          |          |   | HOPWA-CV<br>\$578,909    | Homeless Person Overnight Shelter (Persons Assisted)                  | TBD   |
|            |   |            |          |          |   | CDBG-CV2<br>\$50,000,000 | HIV/AIDS Housing Operations (Household Housing Units)                 | TBD   |

| Sort Order | Goal Name                                   | Start Year | End Year | Category                          | Needs Addressed                    | Estimated Funding               | Goal Outcome Indicator   | Total |
|------------|---|------------|----------|-----------------------------------|------------------------------------|---------------------------------|--|-------|
|            |   |            |          |                                   |                                    |                                 | Street Outreach and Homelessness Prevention (Persons Assisted)               | TBD   |
|            |   |            |          |                                   |                                    |                                 | Household Housing Units  | TBD   |
| 2          | Increase economic development opportunities | 2020       | 2020     | Non-Housing Community Development | Economic Development Opportunities | CDBG-CV1 – TBD<br>CDBG-CV2- TBD | Jobs created/retained (Jobs)   | TBD   |
|            |   |            |          |                                   |                                    |                                 | Businesses Assisted (Businesses Assisted)                                    | TBD   |
| 3          | Maintain or increase public services        | 2020       | 2020     | Non-Housing Community Development | Public Services                    | CDBG-CV1 – TBD<br>CDBG-CV2- TBD | Public service activities supporting response to COVID-19 (Persons Assisted) | TBD   |

| <b>Sort Order</b> | <b>Goal Name</b>                       | <b>Start Year</b> | <b>End Year</b> | <b>Category</b>                   | <b>Needs Addressed</b> | <b>Estimated Funding</b>        | <b>Goal Outcome Indicator</b>   | <b>Total</b> |
|-------------------|--|-------------------|-----------------|-----------------------------------|------------------------|---------------------------------|---|--------------|
| 4                 | Maintain or increase public facilities | 2020              | 2020            | Non-Housing Community Development | Public Facilities      | CDBG-CV1 – TBD<br>CDBG-CV2- TBD | Public Facility activities supporting healthcare capacity and housing for persons experiencing homelessness | TBD          |



## AP-25 Allocation Priorities – 91.320(d)

### Introduction

The amended percentages below are based on the expected amount of funds that will be awarded by each new program funded by the CARES Act for federal Fiscal Year (FY) 2019-2020 for eligible activities that fall within that goal. The percentages below will depend on funding awardees' needs and demand for activities within the specified goal categories.

### Funding Allocation Priorities

| Program  | Increase the supply of affordable rental housing (%) | Expand homeownership and improve existing housing (%) | Provide homeless assistance & prevention services (%) | Increase economic development opportunities (%) | Maintain or increase public services (%) | Maintain or increase public facilities (%) | Colonias Set-Aside (%) | Total (%) |
|----------|--|---|---|---|--|--|------------------------|-----------|
| CDBG-CV1 | 0  | 0   | TBD %   | TBD %   | TBD %                                    | TBD %                                      | 5 %                    | 100%      |
| CDBG-CV2 | 45%  | 0   | TBD%  | TBD %   | TBD %                                    | TBD %                                      | 5 %                    | 100%      |
| ESG-CV   | 0  | 0   | 100%  | 0   | 0  | 0  | 0                      | 100%      |
| HOPWA-CV | 0  | 0   | 100%  | 0   | 0  | 0  | 0                      | 100%      |

## **AP-30 Methods of Distribution – 91.320(d)&(k)**

### **Introduction**

The CARES Act provides HUD administered one-time funding for the following three state-level programs:

- Emergency Solutions Grant CARES Act Stimulus (ESG-CV),
- Housing Opportunities for Persons with Aids CARES Act Stimulus (HOPWA-CV), and
- Community Development Block Grant CARES Act Stimulus (CDBG-CV).

The following methods of distribution are for the second round of CARES Act funding for the CDBG-CV and ESG-CV funds. The CDBG-CV and ESG-CV funds will use streamlined distribution methods to ensure funding can be distributed and expended as quickly as possible on activities that address immediate and medium-term responses to the COVID-19 pandemic. Eligible activities must prevent, prepare for, and respond to Coronavirus and COVID-19.

### **CDBG-CV1 (Community Development Block Grant CARES Act Stimulus Program)**

CDBG-CV1 funding will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula amounts can be found in the CDBG-CV1 Notice of Funding Availability (NOFA) solicitation at the following link: [https://gn.ecivis.com/GO/gn\\_redir/T/1nss8bjk4dcki](https://gn.ecivis.com/GO/gn_redir/T/1nss8bjk4dcki). The method of distribution may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

A total of 17 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application, and must prepare an appropriate environmental review for all pre-agreement costs.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations. Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV funding:

- Public services to respond to COVID-19 impacts
- Public facility improvements to increase capacity for healthcare facilities
- Housing facilities for persons experiencing homelessness

- Economic development to support needs for working capital and furniture, fixtures, and equipment focusing on safety requirements

As permitted in the CARES Act, HUD has elected to waive the federal caps on public services for services that are in response to COVID-19 impacts. Grantees will be required to document that the services funded through CDBG-CV are in response to COVID-19. Any services provided that are not in response to COVID-19 will be subject to the federal 15 percent public services cap.

The Department has waivers from the state statutory requirements that at least 51 percent of annual CDBG allocations be made available to housing and housing-related activities, and 30 percent set-aside for economic development activities. Further, the Department has waived the 50 percent expenditure rule for CDBG-CV funding. These waivers will apply only to CDBG-CV funding and will not apply to funds awarded through the 2019 and 2020 annual CDBG allocations.

The Public Facilities allocation priority for CDBG-CV is primarily for public facilities related to the provision of health and medical care, and that support housing for persons experiencing homelessness in compliance with the recommendations found at the following link: <https://www.hudexchange.info/resource/6004/covid19-systemwide-protocol-for-people-experiencing-homelessness/>. HCD will review applications for facility and infrastructure funding on a case-by-case basis to make sure activities comply with the COVID-19 impacts nexus.

## **CDBG-CV2 (Community Development Block Grant CARES Act Stimulus Program)**

CDBG-CV2 funding will be distributed in a two-part allocation. These parts would reflect the differences in resources available to entitlement and non-entitlement communities. No more than 7 percent of CDBG-CV1 and 2 funding will be used to provide administration and technical assistance at the state level. These administrative funds will be deducted from the total funding available for local assistance.

### **Part 1**

Approximately 45 percent of the CDBG-CV2 funding will be to used support California's Homekey Program. The Homekey Program uses Coronavirus Relief Funding from the CARES Act to allow for acquisition of properties to be used for housing for persons experiencing homelessness. The CDBG-CV2 Homekey funding would be available state-wide for both entitlement and non-entitlement communities. The use of these funds would be limited to Homekey unit acquisition and rehabilitation costs, and off-site infrastructure construction when necessary to support Homekey units. The CDBG-CV2 funding for Homekey will use the Homekey NOFA and application responses to identify projects that fit for CDBG-CV2 funding. The CDBG-CV2 Homekey funds will not have a separate NOFA, but may have a supplementary application. Projects will be selected from the Homekey wait list.

Funding would be available through June 30, 2021, at which point any remaining Homekey funds left unencumbered would be allocated as per the formula in Part 2 below.

## Part 2

The remaining 48 percent of the CDBG-CV2 will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula allocations will be released either as an amendment to the CDBG-CV1 NOFA, or as a new NOFA. The method of distribution may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

The remaining funds will have the following set-asides:

**Colonias:** 5 percent of the remaining funds will be set aside for the Colonias. Imperial County and the Colonias have been one of the worst hit areas in California and the impacts for COVID-19 have rendered the area extra susceptible to additional disasters

**Non-Federally Recognized Tribes:** 1.25 percent of the remaining funds will be available to non-federally recognized tribes that intend to apply for funding in partnership with an eligible jurisdiction. Tribal populations have been disproportionately impacted by COVID-19 and jurisdictions will be encouraged to partner to assist tribes in preventing and responding to COVID-19 impacts.

**Federal Tribes:** 5 percent of the remaining funds will be set aside for Federally Recognized Tribes for Healthcare Facilities. Eligible activities in these facilities will include public services, facility improvements, and coordination with other service providers. Native peoples and tribal populations have been disproportionately impacted by COVID-19 and HCD will be using the direct assistance allowances in the Federal Register Notice for CDBG (<https://www.hud.gov/sites/dfiles/CPD/documents/FR-6218-N-01-CDBG-CV-clean-8-7-20-header-for-posting.pdf>) to provide assistance to qualified facility partners.

A total of about 13 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application, and must prepare appropriate environmental review documentation prior to requesting reimbursement.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations. Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV1 funding:

- Public services to respond to COVID-19 impacts, including subsistence payments (rental assistance) to lower-income households,
- Public facility improvements to increase capacity for healthcare facilities,
- Housing facilities for persons experiencing homelessness,

- Public facility and infrastructure improvements to respond to COVID-19 impacts, and
- Economic development to support needs for working capital and furniture, fixtures, and equipment focusing on safety requirements.

As permitted in the CARES Act, HUD has elected to waive the federal caps on public services for services that are in response to COVID-19 impacts. Grantees will be required to document that the services funded through CDBG-CV2 are in response to COVID-19. Any services provided that are not in response to COVID-19 will be subject to the federal 15 percent public services cap.

The Department has received waivers from the state statutory requirements that at least 51 percent of annual CDBG allocations be made available to housing and housing-related activities and 30 percent set-aside for economic development activities. Further, the Department has waived the 50 percent expenditure rule for CDBG-CV funds. This waiver will apply only to CDBG-CV funding and will not apply to funds awarded through the 2019 and 2020 annual CDBG allocations.

The Public Facilities allocation priority for CDBG-CV2 is primarily for public facilities related to the provision of health and medical care, and that support housing for persons experiencing homelessness in compliance with the recommendations found at the following link: <https://www.hudexchange.info/resource/6004/covid19-systemwide-protocol-for-people-experiencing-homelessness/>. HCD will review applications for facility and infrastructure funding on a case-by-case basis to make sure activities comply with the COVID-19 impacts nexus.

This method of distribution is expected to facilitate immediate fund utilization and improve emergency response to critical community needs resulting from the COVID-19 pandemic.

Applications submitted under this method of distribution will be reviewed non-competitively on a rolling basis through the application period and all applicants will be required to meet eligibility and threshold criteria for consideration.

## **ESG-CV1 (Emergency Solutions Grants CARES Act Stimulus Program)**

The ESG-CV special allocation provided in the CARES Act will be utilized to prevent, prepare for, and respond to coronavirus among individuals and families who are experiencing homelessness or receiving homelessness assistance; and to support additional homelessness assistance and homelessness prevention activities to mitigate the impacts created by coronavirus. As part of a comprehensive plan to address the ESG program goals and the impacts of coronavirus, the Department encourages collaboration between CoC Service Area funding recipients and organizations serving disproportionately impacted populations such as domestic violence organizations and those serving youth and senior populations to ensure adequate funding to these organizations.

Any future special ESG allocations will be addressed and allocated according to HUD guidance.

### **Describe the state program addressed by the Method of Distribution.**

HCD's ESG program is traditionally distributed by formula to two separate allocations: Continuum of Care (CoC) and Balance of State (BoS). CoC allocations contain a city or county

that receives ESG funds directly from HUD. BoS funds are allocated to Service Areas that do not contain a city or county that receives ESG funds directly from HUD. The ESG-CV CARES funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and HUD's unsheltered homeless figures.

The entirety of the federally allocated ESG-CV funds are to be utilized to address homelessness and may be used for currently eligible activities related to crisis response including:

- Emergency Shelter (ES),
- Homeless Prevention (HP),
- Street Outreach (SO),
- Rapid Rehousing (RR), and
- Homeless Management Information System (HMIS) (24 CFR §576.100).

Currently, HCD intends to distribute the funds in a direct allocation method or over the counter application method.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

The ESG-CV funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and HUD's unsheltered homeless figures.

*Allocation*

Funds will be allocated to CoC Service Areas either to currently approved units of general-purpose local government, known as Administrative Entities (AEs), or directly to the CoC provided the CoC is a state and federally recognized non-profit government entity and has capacity to administer the funding. If the CoC does not meet these requirements, the CoC must designate an AE to administer the funding for that CoC Service area. The allocations will be made to approved AEs listed in the 2020 Continuum of Care NOFA, Appendix A issued February 28, 2020 and to CoCs listed in the 2020 Balance of State NOFA Appendix A issued February 28, 2020. These AEs must commit to administering ESG-CV funds, in collaboration with their CoC, throughout their CoC Service Area, including ensuring access to ESG-CV funds by households living in non-entitlement areas.

The estimated formula allocation is available at [https://gn.ecivis.com/GO/gn\\_redir/T/1ogdqmjnwhvvg](https://gn.ecivis.com/GO/gn_redir/T/1ogdqmjnwhvvg). The allocations are estimates and may be adjusted as the formula is finalized.

The allocation processes described in this method of distribution are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

HCD will enter into a contract with the AE, and the AE will contract directly with its selected providers. The AE shall collaborate with the CoC in administering an application selection. The local government Administrative Entities (AEs) will select applications for funding using a process that is:

1. Fair and open and avoids conflicts of interest in project selection, implementation, and the administration of funds;
2. Follows procurement requirements of 24 CFR Part 200;
3. Evaluates provider capacity and experience, including the ability to deliver services in non-entitlement areas;
4. Utilizes data and considers community input to identify unmet needs;
5. Prioritizes activities that address the highest unmet need, considering other available funding and system-wide performance measures;
6. Considers project-level performance measures when evaluating proposals;
7. Incorporates reasonable performance standards as set forth in the Action Plan based on HUD requirements and guidance. If the applicant has not implemented the proposed activity or similar activity within the past three years, the Continuum of Care shall work with the funded applicant to ensure it meets reasonable performance standards specified in the Action Plan in the contract year;
8. Complies with federal ESG requirements; and
9. Considers any other practices promoted or required by HUD.

**Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG ONLY)**

ESG-CV funds will be distributed to either local governments (AEs) or non-profit homeless service providers (CoCs) per the above *Allocation*, according to factors which may include HUD's homeless PIT count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and rates of unsheltered homeless according to the standard ESG Method of Distribution and criteria discussed previously.

**Describe how resources will be allocated among funding categories.**

Individual homeless service providers may propose uses of funds in accordance with their needs.

*ESG-CV Administration*

Grantees may receive approximately 5 percent of their formula allocation for Administration as defined in the federal regulations.

*Homeless Service Provider Indirect Cost Allocation*

As permitted by the applicable grantee, homeless service providers receiving funds from an AE or CoC may charge an indirect cost allocation as calculated pursuant to 24 CFR §576.109.

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

### **Describe threshold factors and grant size limits.**

#### *Minimum and Maximum Grant Limits*

Grantees will be responsible for setting any minimum and maximum grant amounts to subgrantees since they will be evaluating provider applications and managing the contracts. HCD will be monitoring grantees to ensure that they can effectively manage the number of awards made.

### **What are the outcome measures expected as a result of the method of distribution?**

The method of distribution for ESG-CV is designed to align with the CARES Act and any future special allocation goals. The specific goals and goal outcome indicators associated with ESG-CV activities in the Strategic Plan are addressing and preventing homelessness (Goal Outcome Indicators: Households Assisted, Persons Assisted).

For the CARES Act funding allocation, ESG-CV anticipates serving as many unsheltered homeless as possible, if not all unsheltered homeless; increasing the availability of Rapid Rehousing facilities; and increasing the number of Rapid Rehousing recipients, Emergency Shelter services recipients, and Homeless Prevention services recipients proportionate to the currently undetermined total CARES Act funding allocation to HCD.

## **ESG-CV2 (Emergency Solutions Grants CARES Act Stimulus Program)**

The ESG-CV2 funding will be prioritized by need and severity. Funding will include requirements to address racial equity, and will require that funds be made available to the public in an expedited fashion.

### **Describe the state program addressed by the Method of Distribution.**

Round 2 of the ESG-CV special allocation provided in the CARES Act will be utilized to prevent, prepare for, and respond to coronavirus among individuals and families who are experiencing homelessness or receiving homelessness assistance; and to support additional homelessness assistance and homelessness prevention activities to mitigate the impacts created by coronavirus, including rental assistance for people at risk of homelessness. As part of a comprehensive plan to address the ESG program goals and the impacts of coronavirus, the Department encourages collaboration between CoC Service Area funding recipients and organizations serving disproportionately impacted populations such domestic violence organizations and those serving youth and senior populations to ensure adequate funding to these organizations. The Department is prioritizing serving the most at-risk populations with this funding round through the targeted use of the Emergency Shelter and Rapid Re-Housing activities and will be placing focus on providing services in a racially equitable manner.



Any future special ESG allocations will be addressed and allocated according to HUD guidance.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

HCD's ESG program is traditionally distributed by formula to two separate allocations: Continuum of Care (CoC) and Balance of State (BoS). CoC allocations contain a city or county that receives ESG funds directly from HUD. BoS funds are allocated to Service Areas that do not contain a city or county that receives ESG funds directly from HUD. The ESG-CV CARES Round 2 funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, coronavirus infection rates, HUD's unsheltered homeless figures and communicated CoC Service Area need and capacity for additional CARES Act funding.

The entirety of the federally allocated ESG-CV funds are to be utilized to address homelessness and may be used for currently eligible activities related to crisis response including the following with a priority on the first two activities:

- Emergency Shelter (ES),
- Rapid Rehousing (RR),
- Homeless Prevention (HP) including rental assistance of persons at-risk of homelessness,
- Street Outreach (SO), and
- Homeless Management Information System (HMIS) (24 CFR §576.100).

Currently, HCD intends to distribute the funds in a direct allocation method or over the counter application method.

*Allocation*

Funds will be allocated to the 40 California CoC Service Areas that include non-entitlement areas. The CoC may apply for and administer the funds directly provided the CoC is a state and federally recognized non-profit government entity and has capacity to administer the funding. If the CoC does not meet these requirements, the CoC must designate an Administrative Entity (AE) to administer the funding for that CoC Service area. The CoC or selected AE must select service providers based on the priorities for Emergency Shelter, Rapid Re-housing and providing services in a racial equitable manner, to under-served minority communities as further outlined in the Notice of Funding Availability (NOFA) and application.

The estimated formula allocation is below. These allocations are estimates and may be adjusted as the formula is finalized.

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

**Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG ONLY)**

ESG-CV funds will be distributed to either local governments (AEs) or non-profit homeless service providers (CoCs) per the above *Allocation*, according to factors which may include HUD's homeless PIT count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and rates of unsheltered homeless according to the standard ESG Method of Distribution and criteria discussed previously.

**Describe how resources will be allocated among funding categories.**

Individual homeless service providers may propose uses of funds in accordance with their needs.

*ESG-CV Administration*

Grantees may receive approximately 3 percent of their formula allocation for Administration.

*Homeless Service Provider Indirect Cost Allocation*

As permitted by the applicable grantee, homeless service providers receiving funds from an AE or CoC may charge an indirect cost allocation as calculated pursuant to 24 CFR §576.109.

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

**Describe threshold factors and grant size limits.**

Grantees will be responsible for setting any minimum and maximum grant amounts to subgrantees since they will be evaluating provider applications and managing the contracts. HCD will be monitoring grantees to ensure that they can effectively manage the number of awards made.

**What are the outcome measures expected as a result of the method of distribution?**

The method of distribution for ESG-CV is designed to align with the CARES Act and any future special allocation goals. This round of funding is specifically targeted towards Rapid Re-Housing and Emergency Shelter activities to provide assistance to the most at-risk populations. The specific goals and goal outcome indicators associated with ESG-CV activities in the Strategic Plan are addressing and preventing homelessness (Goal Outcome Indicators: Households Assisted, Persons Assisted).

For the CARES Act funding allocation, ESG-CV anticipates serving as many unsheltered homeless as possible, if not all unsheltered homeless; increasing the availability of Rapid Rehousing facilities; and increasing the number of Rapid Rehousing recipients, Emergency Shelter services recipients, and Homeless Prevention services recipients proportionate to the currently undetermined total CARES Act funding allocation to HCD.

**HTF (Housing Trust Fund)**

AP-30 The below method of distribution for the HTF includes the following changes:

1. Adding rehabilitation as eligible activity.
2. Reference to federal regulations for additional eligible activities.

**Describe the state program addressed by the Method of Distribution.**

The state National Housing Trust Fund (NHTF) provides project funding for Rental New Construction, Rehabilitation, Acquisition, and any other eligible activities as per the federal regulations at 24 CFR 93 on a competitive basis through an annual Notice of Funding Availability (NOFA). A NHTF applicant must be the owner or developer of the NHTF-assisted project that meets the requirements identified in the recipient definition of 24 CFR 93.2.

In 2017, the California State Legislature passed AB 74, which subsequently was signed into law by Governor Brown. AB 74 directs the state to use NHTF resources for the newly established Housing for a Healthy California program. The HHC program creates supportive housing for individuals who are recipients of or eligible for health care provided through the California Department of Health Care Services (DHCS) Medi-Cal program. The first funding round of the HHC program was in FY 2018.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

HCD will adhere to the following federal NHTF requirements when selecting applications and rating and ranking submittals:

- a) Geographic priorities for the distribution of funds;
- b) Applicant’s ability to obligate NHTF funds;
- c) Applicant’s ability to complete the proposed project in a timely manner;
- d) The availability of federal, state or local project-based rental assistance;
- e) How well the application meets the state’s priority housing needs; and
- f) Use of nonfederal funding sources as leverage.

The application selection criteria will also consist of requirements specifically mandated in the Housing for a Healthy California program, AB 74 statute. HCD will apply the AB 74 requirements in a manner consistent with the rules of the NHTF funds. Eligible projects will receive points for the following:

- 1. Development team experience, measured amongst the developer, applicant ownership and operations, property manager, and lead service provider.
- 2. Percentage of assisted units restricted for supportive housing, with a minimum of at least 5 percent,
- 3. Supportive services plan including clear description of services, resident involvement, and budget information,
- 4. Utilization of other funding sources to offset requests,
- 5. Leverage of rental or operating subsidies available for the project,
- 6. Readiness to proceed with documented project milestones completed,
- 7. Need, which includes consideration of the number of individuals experiencing homelessness in the geographic jurisdiction,
- 8. Location efficiency and reasonable access to destinations for participating tenants.

HCD may award application points for addressing state objectives as identified in the NOFA. HCD may include state objective points for one or more of the following HCD priority objectives: 1) Access to Opportunity (e.g. diversity of investment in areas of low opportunity and investment in areas of high opportunity), 2) Homelessness and 3) Disaster Resiliency Long-Term Planning to incentivize local jurisdictions to incorporate hazard mitigation and disaster resiliency planning. More clarification on these HCD priorities will be provided in the NOFA.

Projects must employ Housing First practices documented in the application, property management plan and supportive services plan.

**Describe how resources will be allocated among funding categories.**

HCD will distribute funds to eligible recipients, as defined in 24 CFR § 93.2, through a competitive application process. A NOFA will be issued, and applications will be rated and ranked.

**Describe threshold factors and grant size limits.**

To be eligible, a recipient may be an organization, agency, or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity) that receives NHTF assistance from a grantee as an owner or developer to carry out an NHTF-assisted project, which meets the requirements of 24 CFR §93.2 of Recipient. A Recipient must: a) Make acceptable assurance they will comply with all NHTF requirements during the entire affordability period; b) Demonstrate ability and financial capacity to undertake, comply, and manage the eligible activity; c) Demonstrate familiarity with requirements of federal, state and any other housing programs used in conjunction with NHTF funds to ensure compliance; d) Demonstrate experience and capacity to conduct the eligible NHTF activity in questions as evidenced by relevant history; and e) has site control.

The maximum loan limit per Applicant is \$20 million. The maximum amount that can be used for capitalized operating subsidy reserves will be one third of the total loan amount in accordance with 24 CFR 93.200(a)(1).

HCD will adopt maximum per-unit development subsidy limits similar to the limits established by the state's No Place Like Home (NPLH) program as follows.

1. Maximum per-unit loan amounts shall not exceed the total eligible costs required, when considered with other available financing and assistance, in order to: a) Enable the funds to be used for eligible uses; b) Ensure that rents for Assisted Units comply with Program requirements; and c) Operate in compliance with all other program requirements.
2. The capital portion of the loan amount is further limited to the sum of a base amount per Assisted Unit, plus the amount per Assisted Unit required to reduce rents from 30 percent of the 30 percent of Area Median Income level to the actual maximum restricted rent for the Assisted Unit, with loan limits increasing based on the level of affordability provided.
3. For loan limit calculations, HCD shall include the number of units within a rental housing development and the number of bedrooms per Assisted Unit.
4. For Assisted Units receiving rental assistance, the loan amount will be based on the most restrictive level of income restriction that will apply following the closing of the program loan.
- 5.

Initial base amounts for the portion of the loan that does not include rental assistance will be equal to the NPLH initial base amounts.

6. The capital portion amounts in subparagraph (2) above will be adjusted annually based upon increases in the Consumer Price Index. Maximum per-unit loan amounts for loans underwritten by HCD shall be updated annually and published in the NOFA.

**What are the outcome measures expected as a result of the method of distribution?**

The expected outcome measure is the increase in supply of affordable rental housing by providing NHTF assistance to units for tenants at or below 30 percent AMI or below the poverty line; whichever is greater.

**AP-65 Homeless and Other Special Needs Activities – 91.320(h)**

**Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as**

**health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.**

As part of the CARES Act, HUD has temporarily waived FMR limits for the ESG-CV funding. This waiver impacts both the existing ESG allocations as well as the ESG-CV funding. The waiver is intended to help address the wide variances in housing costs, not just between urban and rural areas, but nation-wide. This waiver will be critical in ensuring that the funding can be used as intended to help people in the timeframe required to make a timely response to community needs.

HUD has proposed additional regulatory relief as part of the CARES Act, by providing increased administration percentages, reduced match requirements, and reduced use restrictions on the ESG-CV funds. These reduced restrictions, along with the urgency required to get the ESG-CV funds utilized, necessitated a waiver of the state's ESG regulations, which included the proscribed method of distribution as well as use requirements that had frustrated CoCs and homelessness responders. The Department will be exploring the opportunity to transition from ESG regulations to more flexible guidelines to support adaptability and responsiveness to the ongoing impacts of the COVID-19 virus and evolving needs to effectively reduce homelessness in the state.