



DR-MHP Development Application Review and Underwriting Checklist Project with 8+ Units

INFORMATION

Enter the information for the project under review in the provided fields.

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

DEVELOPMENT APPLICATION SUBMISSION REQUIREMENTS

Review development application to evaluate if submission requirements are included. Please select “Yes” or “No” in the check boxes provided for each Review Criteria Item below. Please enter any comments in the “Comments” column.

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



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5	<input type="checkbox"/>	<input type="checkbox"/>	Does the construction schedule show completion by Q1 2025? Does the target date for lease-up of the DR-MHP units fall before Q3 2025?	
6	<input type="checkbox"/>	<input type="checkbox"/>	Does the information on the experience and qualifications of the development team demonstrate the completion of three multifamily developments and at least one affordable multifamily development?	
7	<input type="checkbox"/>	<input type="checkbox"/>	Does the certification of complete disclosure include all identities of interest -- of all persons or entities, including affiliates, that will provide goods or services to the development either (a) in one or more capacity or (b) that qualify as a "Related Party" to any person or entity that will provide goods or services to the development? Include a comment if an interest is noted.	
8	<input type="checkbox"/>	<input type="checkbox"/>	Is there evidence of land use approvals or entitlements? Is there a letter signed by a certified planner indicating that the project meets all requirements for local approval under a nondiscretionary process?	
9	<input type="checkbox"/>	<input type="checkbox"/>	Does the development application submission include an Affirmative Marketing Plan (HUD 935)? Does it describe the additional outreach required to fire-impacted household as outlined in the program policies and procedures?	



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PROGRAM REQUIREMENTS

Review development application to evaluate if the program requirements are included. Please select “Yes” or “No” in the check boxes provided for each Review Criteria Item below. Please enter any comments in the “Comments” column.

Item	Yes	No	Review Criteria	Comments
10	<input type="checkbox"/>	<input type="checkbox"/>	The proposed development must be located in a Most Impacted and Distressed (MID) or otherwise impacted by DR-4382 or DR-4407. Is the project located in an eligible area?	
11	<input type="checkbox"/>	<input type="checkbox"/>	Is the address of the proposed development within one of the Most Impacted and Distressed Area(s)?	
12	<input type="checkbox"/>	<input type="checkbox"/>	Does the proposed development meet one of the Priority Criteria established in Section 2.4 of the Policies and Procedures? Note in the comments which priority criteria is met.	
13	<input type="checkbox"/>	<input type="checkbox"/>	Does the development proposal include at least eight (8) units?	
14	<input type="checkbox"/>	<input type="checkbox"/>	Does the development proposal include a minimum of four (4) affordable units or 30 percent of the units as affordable units, whichever is greater? Note: If the project is a rehabilitation project or a senior new construction project, the project must include at least 51% affordable units, or request a waiver.	
15	<input type="checkbox"/>	<input type="checkbox"/>	Is the total DR-MHP funding requested in the development application less than or equal to 40% of total development cost?	



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Item	Yes	No	Review Criteria	Comments
16	<input type="checkbox"/>	<input type="checkbox"/>	The Program Policies and Procedures indicate that the development must successfully meet environmental review clearance before the issuance of a Notice to Proceed. Has the development received NEPA clearance?	
17	<input type="checkbox"/>	<input type="checkbox"/>	Does the development proposal meet one of the HCD project types defined in the "2018 Multifamily Housing Program Guidelines" Article 2, Section 7302 (1-5) including: 1) Large Family, 2) Special Needs, 3) Seniors, 4) Supporting Housing, and 5) At High Risk.	
18	<input type="checkbox"/>	<input type="checkbox"/>	Did the applicant provide a listing of comparable developments completed within the last three (3) years in the jurisdiction or in neighboring jurisdictions within the housing market area, to include the total number of housing units and the total development cost for each development?	
19	<input type="checkbox"/>	<input type="checkbox"/>	Based on evaluation of the listing of comparable developments supplied by the applicant, is the cost per unit for the proposed development in line with the average cost per unit of the comparable developments, factoring in such things as inflation, prevailing wages, and non-comparable project amenities?	



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Item	Yes	No	Review Criteria	Comments
20	<input type="checkbox"/>	<input type="checkbox"/>	Does the per-unit assistance requested from DR-MHP funds comply with the Maximum Per-Unit Subsidy Limits table value in effect for the jurisdiction where the housing is located? Note: These values are supplied by either the HUD San Francisco Regional Office or the HUD Los Angeles Field Office on an annual basis and published by HCD.	
21	<input type="checkbox"/>	<input type="checkbox"/>	The Program Policies and Procedures require that "all sources of funding required to complete the Project must be identified, documented as committed, and accessible prior to the Department issuing a firm commitment letter." Did the applicant submit evidence that all sources listed within the proforma development budget are committed and accessible?	
22	<input type="checkbox"/>	<input type="checkbox"/>	Are the rents shown in Year 1 of the proforma in compliance with the High HOME rents for the project area?	
23	<input type="checkbox"/>	<input type="checkbox"/>	Is the total project cost at least \$250,000, or was an approvable waiver request to this minimum award level included with the development application?	
24	<input type="checkbox"/>	<input type="checkbox"/>	Is the total DR-MHP funding requested in the development application limited to the amount that is necessary to address the gap between development costs and the sum of all other funding commitments?	
25	<input type="checkbox"/>	<input type="checkbox"/>	Is the developer eligible to receive DR-MHP funds? Verify at www.sam.gov .	



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DEVELOPMENT UNDERWRITING (BASIC)

The numerical standards in this section are benchmarks. If the proforma does not conform to these benchmarks, the application may include a request for waiver based on the specific economics of the project. Please select “Yes” or “No” in the check boxes provided for each Review Criteria Item below. Please enter any comments in the “Comments” column.

Item	Yes	No	Review Criteria	Comments
26	<input type="checkbox"/>	<input type="checkbox"/>	<p>Does the proposed developer fee comply with the applicable maximum developer fee requirement?</p> <p>A. For Projects not utilizing low-income housing tax credits, Developer Fee payments shall be the lesser of 15 percent of the project’s unadjusted eligible basis and 15 percent of the basis for non-residential costs included in the project allocated on a pro rata basis or two million five hundred thousand dollars (\$2,500,000) pursuant to California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10327, Paragraph (c), sub Paragraph (2), subsection (A).</p> <p>B. For Projects not utilizing low-income housing tax credits which restrict for Special Needs Population(s), the greater of 1) 15 Low-Income Units or 2) 25% of the Low-Income Units restricted in the project, the maximum developer fee is the lesser of fifteen percent (15%) of the project’s unadjusted eligible basis and fifteen percent (15%) of the basis for non-residential costs included in the project allocated on a pro rata basis or two million eight hundred thousand dollars. (\$2,800,000) pursuant to 4 CCR 10327 (c)(2)(A).</p> <p>C. For Projects utilizing either 9% or 4% competitive low-income housing tax credits, Developer Fee payments shall not exceed the amount that may be</p>	



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Item	Yes	No	Review Criteria	Comments
			<p>included in project costs pursuant to California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10327.</p> <p>"Developer Fee" includes funds disbursed to the developer for administrative costs, provision of guarantees, or fees for services, and payment of fees for guaranteeing against operating deficits. Payments into reserves required by lenders or investors are not included. Specific examples of items to be treated as developer fees (in addition to any fees charged by the developer) include: administration; staff costs, including development consultants (but not historic preservation, environmental, or syndication consultants); net worth guarantee fees; marketing and/or rent-up supervision fees; tax credit compliance guarantee fees; real estate brokerage fees paid to a related party; loan brokerage fees paid to a related party; processing agent fees; developer profit and overhead; compensation for construction management oversight provided by the developer; the cost of any personal guarantees; and reserves in excess of those customarily required by multi-family housing lenders.</p>	



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Item	Yes	No	Review Criteria	Comments
27	<input type="checkbox"/>	<input type="checkbox"/>	<p>In review of the proforma, is the initial debt service coverage ratio in the first year not less than 1.10:1 and not greater than 1.20:1, except where a higher first-year ratio is necessary to: (A) project first-year cash flow after debt service and required reserve deposits equal to or less than 12 percent of operating expenses; (B) meet CalHFA's standard underwriting requirements or those of a direct federal lending program; or (C) project a positive cash flow over 20 years. (UMR 8310)</p> <p>"Debt Service Coverage Ratio" means the ratio of (1) Operating Income less the sum of Operating Expenses and required reserves to (2) debt service payments, excluding voluntary prepayments and non-mandatory debt service. In calculating Debt Service Coverage Ratio, the Department may include all Operating Income, and may exclude Operating Income that cannot be reasonably underwritten by lenders making amortized loans or that is approved by the Department to be deposited into a reserve account to defray projected operating deficits.</p>	
28	<input type="checkbox"/>	<input type="checkbox"/>	<p>Does the pro forma reflect a minimum 5% construction contingency amount for new construction projects and 10% of construction costs for rehabilitation projects, and fully address this contingency in the sources and uses statement? (UMR 8310)</p>	
29	<input type="checkbox"/>	<input type="checkbox"/>	<p>Does the operating proforma reflect projected annual rent increases of not more than 2.5% per year for affordable units and not more than 6% for market rate units? (CTCAC Regulations, 10327)</p>	



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Item	Yes	No	Review Criteria	Comments
30	<input type="checkbox"/>	<input type="checkbox"/>	Does the operating proforma reflect a projected stabilized vacancy rate of 5%, unless a different figure is required by another funding source (including TCAC) or supported by compelling market evidence? (UMR 8310)	
31	<input type="checkbox"/>	<input type="checkbox"/>	<p>In the absence of other funding source requirements establishing minimum deposits for replacement reserves and operating reserves, the following requirements shall apply.</p> <p>Does the operating proforma for new construction projects reflect that a minimum of 0.6% of the replacement cost of the structure is funded to a replacement reserve, up to \$500 per unit? Does the operating proforma for rehabilitation projects reflect an appropriate per-unit amount of replacement reserves based on a physical needs assessment acceptable to the Department, or \$500 per unit? (UMR Section 8309)</p> <p>Additionally, does the operating proforma reflect an operating reserve equal to 4 months of projected operating expenses (excluding the cost of on-site Supportive Services coordination), 4 months of required replacement reserve deposits, and 4 months of non-contingent debt service. For projects with tax credits, the requirement shall be 3 months of these items. (UMR 8308)</p>	
32	<input type="checkbox"/>	<input type="checkbox"/>	Does the operating proforma reflect a projected positive cash flow during the 20-year or 15-year DR-MHP affordability period?	



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DEVELOPMENT UNDERWRITING (ADVANCED)

Please select "Yes" or "N/A" in the check boxes provided for each Review Criteria Item below. Please enter any comments in the "Comments" column. If the item is not applicable, mark "N/A" and proceed to the next question.

Item	Yes	N/A	Review Criteria	Comments
33	<input type="checkbox"/>	<input type="checkbox"/>	Has the development proposal been / will the development proposal be underwritten by the California Tax Credit Allocation Committee?	
34	<input type="checkbox"/>	<input type="checkbox"/>	Has the development proposal been / will the development proposal be underwritten by HCD for a funding source other than DR-MHP? Note: list the other funding sources in the comments.	
35	<input type="checkbox"/>	<input type="checkbox"/>	Has the development proposal been / will the development proposal be underwritten by another government agency for use of HOME Entitlement funds? Note: list the agency and funding sources in the comments.	
36	<input type="checkbox"/>	<input type="checkbox"/>	Has the development proposal been / will the development proposal be underwritten by another funding source with acceptably stringent standards and risk such that it can be reasonably assumed the development will be financially sustainable and will be able to carry out its debt service obligations, fund replacement and operating reserves, and provide quality affordable housing for at least 20 years? Insert details about the other funding source underwriting in the comments section and indicate "yes" if that source's underwriting is acceptable.	



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Item	Yes	N/A	Review Criteria	Comments
37	<input type="checkbox"/>	<input type="checkbox"/>	If none of the first four criteria above apply, has the Local Jurisdiction underwritten the project in compliance with local standards that are comparable to the State of California Uniform Multifamily Regulations.	

DEVELOPER CAPACITY AND EXPERIENCE

Review information supplied with the developer application to evaluate the developer’s most recent developments placed into service (at least three developments but up to 10 developments). The development shall have been in service at least three (3) years to facilitate this capacity review. Additionally, review the qualifications and experience of the development team and the proposed management team. Please select “Yes” or “No” in the check boxes provided for each Review Criteria Item below. Please enter any comments in the “Comments” column.

Item	Yes	No	Review Criteria	Comments
38	<input type="checkbox"/>	<input type="checkbox"/>	Based on the total number of units in each development placed into service recently, does the developer have experience with mixed income projects? Does the developer have experience producing developments of comparable size to the proposed development?	
39	<input type="checkbox"/>	<input type="checkbox"/>	Based on the funding sources included in each development placed into service recently, does the developer have experience successfully completing developments with layered funding? Is the proposed funding for the DR-MHP development similar to funding used to produce prior developments?	



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Item	Yes	No	Review Criteria	Comments
40	<input type="checkbox"/>	<input type="checkbox"/>	Based on the financial statements accompanying the list of developments placed into service recently, are each of those developments operating with positive cash flow? Are project reserve accounts adequately funded? Are the management fees listed in the financial statements comparable to those proposed for the DR-MHP development?	
41	<input type="checkbox"/>	<input type="checkbox"/>	Based on review of resumes and reference checks for members of the development team, is the developer's team knowledgeable, experienced, and responsive?	
42	<input type="checkbox"/>	<input type="checkbox"/>	Based on review of resumes and reference checks for members of the proposed management team, is the management team knowledgeable, experienced, and responsive?	
43	<input type="checkbox"/>	<input type="checkbox"/>	Based on a review of certifications submitted by the developer, are there any civil or criminal legal matters pending that are not resolved and have the potential to impact the developer's capacity to produce the proposed development?	