

# State of California

## 2018-2019 Annual Action Plan

### October 2, 2020 Amendment

#### Public Comment Draft

*The following amendment language will be added to the 2018-2019 Annual Action Plan to allow the state to align the Housing Trust Fund (HTF) program to HUD's regulations by permitting New Construction, Rehabilitation, Acquisition, and other activities eligible for HTF funding under federal regulation and statute. The full text of the existing plan may be found at <https://www.hcd.ca.gov/policy-research/plans-reports/index.shtml#aap>*

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

### **Introduction**

The 2018-2019 Annual Action Plan (AP) is being amended to add 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. Eligible activities will now include multi-family rehabilitation. 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 HTF funding is allocated to projects as part of the Housing for a 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 2018-2019 Annual Action Plan (AP Amendment) addressing this change will be available for a public comment period of at least 30 days, per the California Department of Housing and Community Development (HCD) Citizen Participation Plan.

The draft AP Amendment is available for comment from all interested members of the public from **Friday, October 2, 2020 to Monday, November 2, 2020**.

A virtual public hearing about this AP Amendment will be held on **Monday, October 19, 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:

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

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

### **HTF (Housing Trust Fund)**

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

1. Rehabilitation has been added as an eligible activity; and
2. References to federal regulations for additional eligible activities have been added.

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

The state National Housing Trust Fund (NHTF) program 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 Assembly Bill (AB) 74, which subsequently was signed into law by Governor Edmund G. Brown Jr. AB 74 directs the state to use NHTF resources for the newly established HHC 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 Medi-Cal program. The first funding round of the HHC program was in FY 2018/19.

#### **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 HHC 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:

- a. Development team experience, measured amongst the developer, applicant ownership and operations, property manager, and lead service provider;
- b. Percentage of assisted units restricted for supportive housing, with a minimum of five percent;
- c. Supportive services plan including clear description of services, resident involvement, and budget information;
- d. Utilization of other funding sources to offset requests;
- e. Leverage of rental or operating subsidies available for the project
- f. Readiness to proceed with documented project milestones completed;
- g. Need, which includes consideration of the number of individuals experiencing homelessness in the geographic jurisdiction; and
- h. 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 limits.**

To be eligible, a recipient must be an organization, agency, or other entity (including a public housing agency, 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 Recipient requirements of 24 CFR §93.2. A Recipient must: 1) make acceptable assurance they will comply with all NHTF requirements during the entire affordability period; 2) demonstrate ability and financial capacity to undertake, comply, and manage the eligible activity; 3) demonstrate familiarity with requirements of federal, state, and any other housing programs used in conjunction with NHTF funds to ensure compliance; 4) demonstrate experience and capacity to conduct the eligible NHTF activity in questions as evidenced by relevant history; and 5) have 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.