

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****DIVISION OF FINANCIAL ASSISTANCE**

Rental Housing Development Section

Multifamily Housing Program  
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May 22, 2013

**MEMORANDUM FOR: ALL POTENTIAL APPLICANTS****FROM:** Laura Whittall-Scherfee, Deputy Director   
Division of Financial Assistance**SUBJECT: NOTICE OF FUNDING AVAILABILITY  
MULTIFAMILY HOUSING PROGRAM (MHP)  
SUPPORTIVE HOUSING COMPONENT - \$6.7 Million**

The State Department of Housing and Community Development (HCD) is pleased to announce it is accepting application for funds from the Multifamily Housing Program Supportive Housing Component (SHMHP). **The amount available at the time of issue of this NOFA is \$6.7 million.** This NOFA will be in effect until the application due date of July 31, 2013.

HCD is pleased to announce several updates to the MHP NOFA.

- The amount available in the MHP NOFA is now \$50 million.
- There is now \$3 million available in the Governor's Homeless Initiative (GHI) Program (compatible with 9 percent tax credits).
- There is now \$1.1 million available as Capitalized Rent Subsidy for GHI units.
- **The due date for all applications is now July 31, 2013 at HCD's new headquarters' address: 2020 West El Camino Avenue, Suite 500, Sac, CA 95833.**

As a result of these updates, the anticipated award date for all funds is now October 31, 2013; date is subject to change. Also, an additional workshop may be scheduled. For more information about the SH and GHI programs, please access HCD's website at [www.hcd.ca.gov](http://www.hcd.ca.gov).

**MULTIFAMILY HOUSING PROGRAM (MHP)  
SUPPORTIVE HOUSING COMPONENT**

**2013  
Notice of Funding  
Availability**



**State of California  
Governor Edmund G. Brown Jr.**

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**Randall A. Deems, Acting Director  
Department of Housing and Community Development**

**NOTICE OF FUNDING AVAILABILITY (NOFA)  
MULTIFAMILY HOUSING PROGRAM  
SUPPORTIVE HOUSING COMPONENT**

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**Attachment 1: Application Workshop Registration Form**

**2013 NOTICE OF FUNDING AVAILABILITY (NOFA)  
MULTIFAMILY HOUSING PROGRAM  
SUPPORTIVE HOUSING COMPONENT**

**May 22, 2013**

**Supportive Housing Funding: \$6.7 million**

**A. Introduction**

The State Department of Housing and Community Development (HCD) is announcing the availability of approximately \$6.7 million in funding for the development of rental housing containing permanent Supportive Housing units under the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). Information on this funding opportunity is available on HCD's website at <http://www.hcd.ca.gov/fa/mhp>.

AB1951 mandates that special consideration be given to projects that serve two particular populations. Therefore, projects with target populations that are comprised of homeless veterans or developmentally disabled persons (including, but not limited to autism) will receive five bonus points in the application scoring process. More information is available at [http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201120120AB1951](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB1951) (please see Government Code Section 53545.9(d)(2)).

**B. Application Packaging, Submittal and Process**

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. A complete original application, plus one copy, must be received by HCD. The Application form will be available on HCD's website on or about May 22, 2013. Applications are due by 5:00 p.m. on July 31, 2013.

For application questions, contact any member of MHP's Supportive Housing staff as listed in the application. Applications must be delivered to the following address by private carrier mail or U.S. mail:

**U.S. Mail**

Dept. of Housing and  
Community Development  
Division of Financial Assistance  
MHP Supportive Housing  
P.O. Box 952054  
Sacramento, CA 94252-2054

**Private Carrier**

Dept. of Housing and  
Community Development  
Division of Financial Assistance  
MHP Supportive Housing  
2020 W. El Camino Avenue, Suite 500  
Sacramento, CA 95833

## C. Program Changes

Significant changes applicable to this NOFA include:

- Projects that have received a Gold or Silver designation from HCD's Division of Housing Policy Development via the Catalyst Projects for California Sustainable Strategies Pilot Program will receive five bonus points in the application scoring process. More information is available on HCD's website at <http://www.hcd.ca.gov/hpd/cpcsspp.html>.
- Projects awarded funding through the February 7, 2013 MHP General NOFA are ineligible for funding under this Supportive Housing NOFA.
- In an effort to provide funding to the maximum number of projects, HCD is limiting the maximum loan amount per project to \$3,000,000.
- To encourage greater occupancy levels by developmentally disabled, including those with autism, or homeless veteran households, projects reserving at least 35 percent of the total project units for one of these populations will receive five bonus points in the application scoring. Projects reserving at least 75 percent of the total project units for one of these populations will benefit from additional leverage points in Scoring Category D5.

**Veteran definition:** *Any person who has served full time in the armed forces of the United States for not less than 90 days and has been discharged or released under conditions other than dishonorable or was discharged from the service due to a service-connected disability within that 90-day period.*

- Commitments from redevelopment agencies (RDA) will be carefully scrutinized to ensure that the successor housing agency has obtained a specific project clearance through either an Enforceable Obligation Payment Schedule or a Recognized Obligation Payment Schedule approved by the Department of Finance. Readiness points will be deducted from projects that have RDA commitments that do not pass this scrutiny.

Significant changes applicable to this NOFA carried over from prior NOFAs include:

- To encourage greater occupancy levels by Homeless households, Supportive Housing projects reserving at least 35 percent of the total project units for Homeless eligible households may opt for either: higher loan amounts in Loan Limits Chart B (see Section L) **or** ability to utilize nine percent Low-Income Housing Tax Credits (LIHTC) (see Section J).
- Supportive Housing projects which have a confirmed application or commitment of funding from the Mental Health Services Act Housing Program (MHSA) will not be subject to service plan review requirements for those units funded with MHSA capital and operating subsidies. Such units will not be subject to the MHP Transition Reserve requirement in Section 7312(f)(2). To demonstrate commitment of MHSA funding, Sponsors must include in the application any or all of the following:

- Letter of commitment of funds from the County Mental Health Director or Housing Coordinator (alternatively, a letter of invitation to proceed to complete an MHSA application). The letter must include specific amounts and number of MHSA units applied for.
- Print out of the 30-day public posting of the MHSA service plan and application at the County's Mental Health website; or
- Any document evidencing the County's approval of MHSA funding, with specific funding amount and number of units.

Sponsors are still required to submit, under application Item B14, information detailing the Unit Calculation (Part 1, Section 1), Target Population Checklist (Part 1, Section 2), Characteristics of Supportive Housing (Part 2, Section 2), Project Sponsor and Service Provider Experience (Part 4, Section 1) and Property Management Experience (Part 5, Section 1).

- The following italicized clarifying information has been added to the application attachment D3: *The Sponsor must also receive the majority of the developer fee for the Project, unless all other partners (except for the investor limited partner) have developed and completed a minimum of three affordable housing developments in the past five years. This same principle will be applied to limited liability companies as well.*
- Replacement Reserve Deposits:

Type of Project	Minimum Required Initial Annual Deposit to Replacement Reserve
<b>New Construction or Conversion</b>	0.6 percent of the structure construction cost, up to \$600 per unit. "Structure construction cost" does not include construction contingency, general contractor profit, overhead, or general requirements.
<b>Rehabilitation</b>	The deposit amount required will be determined by HCD based on a third-party physical needs assessment (PNA). At time of application, prior to completion of the PNA, HCD will base its underwriting on a preliminary estimate. This preliminary estimate is \$544 per unit.

- Market Studies will be required for projects where HCD is unable to make a clear determination that projected rental income is attainable. HCD prefers that Sponsors include a Market Study in the application. The Market Study is an alternate method to establish vacancy rate and score project points. Market Studies must include an analysis related to the proposed target populations and be performed in accordance with the most recent version of the California Tax Credit Allocation Committee (TCAC) Market Study Guidelines.
- Projects documenting funding commitments from local governments for operating subsidies, services funding, or both, for five years or longer will receive a five point bonus for project point scoring. Federal funding administered by local governments and MHSA Housing Program funding will qualify for the bonus. Documentation must be through a firm letter of Commitment, Subsidy, or Service Contract that indicates the purpose, terms and contract amounts.

- The Adaptive Reuse/Infill/Proximity to Amenities scoring section of the application has been changed to include priority points for projects which utilize sustainable building methods.
- Clarifying information on funding sources that may not be counted for increasing developer fees, and uses of funds that will be counted toward developer fee limits, is located in Section O. The threshold for “Substantial Rehabilitation” work is \$34,001 per unit. Meeting the threshold dollar amount alone for substantial rehabilitation may not be sufficient. Rehabilitation projects must fully address the physical needs of the project for the term of the MHP loan.

**D. Application Workshops**

Application workshops are scheduled as follows:

Date	Location	Time
June 5, 2013	Woodbridge Manor Apartments Charles Cleminshaw Building Community Room 27 Lake Road <b>Irvine, CA 92604</b>	10 a.m. to 2 p.m.
June 7, 2013	Department of Housing & Community Development 1800 Third Street, Room 183 <b>Sacramento, CA 95811</b>	10 a.m. to 2 p.m.

ADVANCE REGISTRATION FOR THE WORKSHOPS IS REQUESTED. Please complete the attached registration form and return via e-mail to [tmadrid@hcd.ca.gov](mailto:tmadrid@hcd.ca.gov) or fax to (916) 445-0117, attention: Tanya Madrid, at least 24 hours before the workshop. **Printed materials will not be provided at the workshop. Materials will be made available from HCD’s website or via e-mail by request.**

**E. Program Summary**

The MHP provides low-interest loans to developers of affordable housing. MHP Supportive Housing funds available under this NOFA may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures.

HCD expects MHP funds to be leveraged with other resources, including local government funds, the federal Continuum of Care programs, LIHTC, tax-exempt bond financing and private debt financing.

Applicants may apply for funding for projects containing:

1. Supportive Housing units only;
2. Supportive Housing and other units (mixed projects).

*Note: For project type definitions, see Section Q.*

Under this NOFA, the maximum loan limit amount will be based on the number of Supportive Housing units, and the Manager's unit(s), if applicable (see Section L).

#### **F. Program Regulations and Legal Authority**

MHP was established by Chapter 637, Statutes of 1999 (SB 1121, Alarcón), which created Chapter 6.7 of Part 2 of Division 31 commencing with Section 50675, of the Health and Safety Code. Applications submitted under this NOFA shall be subject to two sets of regulations: the MHP specific regulations (including Article 6, Supportive Housing) Title 25 California Code of Regulations (CCR) 7300, *et seq.*, and the Uniform Multifamily Regulations (UMR), 25 CCR 8300, *et seq.* Applications submitted under this NOFA are also subject to the applicable statutory requirements, including those of Proposition 1C and Chapter 27, Statutes of 2006 (SB 1689, Perata) and the requirements specified in this NOFA.

#### **G. Relation to Other Proposition 1C Funding**

This NOFA offers funding for units targeting certain disability groups. However, two other components of MHP are also available to housing developments targeting similar populations.

MHP's "General" component, under which a \$50 million NOFA was issued February 7, 2013 assists a wide variety of housing types. It is offered through a competitive process, and one way to enhance a project's competitiveness is to reserve a certain number of units for special needs populations.

MHP's Governor's Homeless Initiative (GHI) component, under which a \$3 million NOFA was issued May 22, 2013, offers funding earmarked exclusively for homeless or chronically homeless persons.

Information on the General and GHI components of MHP is available at <http://www.hcd.ca.gov/fa>.

#### **H. Eligible Project Sponsors**

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided they or their principals have successfully developed at least one affordable rental housing project.

HCD will evaluate all Sponsors, including the roles of any general partner(s) in a limited partnership, to determine if the Sponsor's roles, responsibilities, and benefits in the project development and operations are commensurate with activities normally undertaken or controlled by project developers and owners. The Sponsor entity will be reviewed to determine if adequate staffing levels exist to undertake and complete the proposed project.

If the Borrower is an entity other than the Sponsor identified in the application, HCD may require the Sponsor to enter into a Sponsor Operating Guaranty as a condition of closing the MHP loan.

Sponsors will be required to demonstrate how the Sponsor identified in the application will maintain full control of the Ultimate Borrower entity, and the development, ownership, and management of the project. Documentation supporting the Sponsor's control of the borrowing entity must be submitted at the time the Ultimate Borrower is formed and in all cases, prior to the construction loan close.

**The entity that submits information to garner experience points must be named as the Sponsor in the application.** HCD will permit loan commitments to be transferred to single-asset entities provided the Sponsor entities maintain sufficient control of the borrowing entity to ensure that the Ultimate Borrower has the resources and experience to develop, own and manage the project. The same threshold criteria will be applied to evaluate Sponsor experience for purpose of awarding points.

Sponsors of projects where at least 70 percent of the units consist of supportive housing units or special needs populations are exempt from the requirement for previous development experience under limited conditions, described in UMR Section 7303(d).

Sponsors must have site control documentation in the name of the Sponsor or an entity controlled by the Sponsor as required under the UMR Section 8303.

#### **I. Eligible Uses of Funds**

MHP funds will be provided as permanent financing only, and may be used to take out construction loans incurred for normal project development (capital) costs, as detailed in Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308.

On-site supportive services coordination may be treated as a project operating cost, payable from operating income. MHP funds shall not be used for the cost of supportive services, although the cost of an on-site support services coordinator may be treated as a project operating expense, payable from operating income. MHP funds must be attributed to the development cost of restricted units or to the costs of facilities used for childcare, after-school care, and social service facilities integrally linked to the tenants of the restricted units.

Applications will be reviewed to ensure that development costs do not include payments for appreciated equity through transfers or syndication between related parties. The term "related parties" as used in this paragraph has the same meaning as TCAC Regulation 10302(gg). MHP funds must be used to fill financing gaps resulting from deep income targeting and affordability. Equity cash-out does not meet the goals of the program and thus is not an eligible use of MHP funds. Costs representing the cash out of existing equity will not be recognized as an eligible use of funds (see Section 7304).

## **J. Eligible Projects**

Projects must qualify as a rental housing development, as defined in UMR Section 8301, and meet the requirements of Sections 7302 and 7342. Projects funded under this NOFA must contain at least five units and Supportive Housing units, as defined in Section Q, consisting of 35 percent of the total project units. Tenant household income of Supportive Housing units at initial occupancy shall not exceed 30 percent of the greater of Area Median Income (AMI) or State Median Income (SMI). Supportive Housing units must be used for permanent housing only.

Projects must meet the underwriting standards described in UMR Section 8310 and are ineligible if construction has commenced prior to submission of a complete application, or if the project is already fully funded.

## **K. Projects with Extraordinarily High Development Costs**

HCD is concerned about the extremely high cost of a small but significant number of projects funded in the recent past, and the extraordinary level of public subsidy required by these projects. Of particular concern are projects with total development costs in excess of \$350,000 per unit. HCD will require thorough justification for costs above that level. In this period of declining real estate values and development costs, it is important to encourage MHP funding of otherwise qualified projects that are able to minimize costs, without sacrificing design elements that are cost effective in the long run or meet vital needs of project residents.

In light of this concern, and consistent with UMR Section 8311, HCD reserves the right to reject an application if total development cost exceeds an amount that cannot be reasonably justified, in comparison to the costs for other similar developments of modest design in the general area. Projects may be required to justify the total development cost if the cost substantially exceeds HCD's historical project costs for similar projects.

In evaluating projects with high per unit costs, HCD will closely scrutinize the justification that costly design features were necessary to obtain local approvals or neighborhood acceptance. Similarly, HCD will be giving close scrutiny to projects with extraordinary site development costs (where they are not fully compensated for by a sharply discounted purchase price), or where the constraints of the site necessitate an especially expensive design. Although HCD appreciates that individual developers may experience great difficulty locating more appropriate sites, it has concluded that the interests of the Program are best served by avoiding excessive site and design-related costs.

Prior to closing construction financing, the Sponsor shall be required to submit an appraisal acceptable to HCD, from a qualified appraiser, which supports the acquisition cost identified in the Development Budget.

## **L. Maximum Loan Amounts**

The maximum loan per project is \$3 million. The maximum loan amount per Supportive Housing unit is a function of unit size, location, and affordability level per Section 7307. Maximum loan limits are in two charts - "A" and "B" (see the HCD's website at <http://www.hcd.ca.gov/fa/mhp/SHIncomeRentsLoanLimits.pdf>).

Projects awarded under this NOFA without nine percent LIHTC and that set aside 70 percent of units for Homeless will have their elevated loan limit amount reduced, if the Project subsequently receives nine percent LIHTC.

The manager's units that are restricted are eligible to receive a loan amount available to the project in the fixed amount of \$30,000 per unit for Northern California projects and \$45,000 for Southern California and Central Valley projects. For the purpose of geographic distribution, Central Valley includes the counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare counties.

## **M. Loan Terms and Security**

Loans will have a 55-year term, and bear simple interest at the rate of three percent per year. For the first 30 years, annual payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The annual payment amount for the next 25 years will be set by HCD in year 30, and will be the minimum amount necessary to cover HCD's monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term.

Cash flow remaining after payment of all debt service, approved operating expenses, required reserves, asset management fee, and allowable deferred Developer Fee and Distributions per UMR Section 8314, shall be applied toward repayment of the MHP loan. If the terms of other public agencies' financing also require payments from remaining cash flow, HCD may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, and amortizing loans from institutional lenders and the federal government, provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local loan is at least twice the amount of the MHP loan (see Section 7306(e) and UMR Section 8315). If a regulatory agreement is in favor of a community redevelopment agency, then it may remain senior to HCD's regulatory agreement in some cases.

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to HCD. The term of a leasehold interest must be at least 90 years, and 65 years when the lessor is a public entity, from the date HCD's documents are recorded. This term excludes any unexercised lease extensions. If the MHP loan is secured by leasehold, the owner of the fee and borrower must sign a recordable lease rider approved by HCD (see UMR Section 8316 for other leasehold requirements).

## **N. Rent and Occupancy Limits**

MHP-assisted unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project Sponsor in their MHP application, with rents not exceeding 30 percent of the applicable income limit. The income limits are posted on HCD's website at <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>.

Projects will be underwritten at the rent limits for the income levels proposed in the application. HCD's first year debt service coverage ratio requirement of 1.10:1 to 1.20:1 will be applied using the maximum rents allowable.

Assisted unit rent increases will be limited in accordance with the rules governing tax credit units and as specified in Sections 7311 and 7312. Where the project receives Project-Based Section 8 or other rental assistance subsidies, "rent" is defined as the tenant's contribution, rather than the contract rent level. Sponsors of this type of project will be required to continue the rental assistance as long as it is available. For projects receiving renewable Project-Based rental assistance, excluding MHSA and Department of Housing and Urban Development (HUD) Section 811, the Sponsor shall capitalize two years of transition reserve to be used in the event the subsidy contract is terminated.

The reserve shall be funded in an amount sufficient to prevent any rent increases for units that previously received rental assistance and are restricted to households with incomes not exceeding MHP rent levels A, B or C or units garnering income-targeting points (per Section 7312(f)(2)). After the two-year transition period, a project must be feasible at 50 percent of AMI for units garnering income-targeting points (per Section 7312(f)(3)).

## **O. Developer Fee and Distribution Limitations**

Developer fee means the same as the definition of that term in the California Code of Regulations, Title 4, and Section 10302 and includes Financial Consulting Costs. Developer fees are limited in accordance with the schedule shown in UMR Sections 8312 and 8314. Distributions to the Sponsor out of operating income are also limited in accordance with UMR Sections 8312 and 8314.

The value of land donations received from city and/or county jurisdictions, master developers or other entities which are not the Sponsor or an affiliate of the Sponsor will not be counted as a capital contribution to increase Developer Fee limits as described in UMR Section 8312(d).

Furthermore, cash contributions received by the Sponsor or an affiliate of the Sponsor from master developers or other entities that are not controlled by the project Sponsor or Co-Sponsor, where such cash contributions are contingent upon the development of the affordable housing project, may not be counted as a capital contribution to increase Developer Fee limits.

Developer Fees are all funds paid at any time as compensation for developing the proposed projects to include all development consulting fees, processing agent fees, developer overhead and profit, construction management oversight fees if provided by the developer, personal guarantee fees, syndicator consulting fees and reserves in excess of those customarily required by multifamily housing lenders. HCD has interpreted this definition to include any lease-up fees, incentive fees, or other property management fees, in excess of those customarily charged by property management firms for lease-up activities, which are paid to the Sponsor or Co-Sponsor, or a management company affiliated with the Sponsor or Co-Sponsor.

#### **P. HUD Section 811 Projects**

For HUD Section 811 projects, the Sponsor must demonstrate its ability to meet the required annual MHP debt payment (0.42 percent for the first 30 years, then adjusted to cover HCD's cost of monitoring the loan) over the 55-year term of the MHP loan. This is done by capitalizing a reserve account, within the Development Budget, in an amount sufficient to cover the annual payment over the 40-year term of the HUD loan. However, please note that MHP bond funds awarded under this NOFA are not available to fund this reserve.

Prior to commencement of construction, the Sponsor must also provide HCD with evidence of HUD approval of the HCD approved Tenant Selection Plan, including specifically the deep income targeting and the homeless (or At-Risk-of-Homelessness) criteria required by the MHP Supportive Housing loan.

HCD will defer to the HUD reserve requirements for the life of the HUD loan. Upon expiration of the HUD loan, the Sponsor will then comply with the MHP requirements for both operating and replacement reserve accounts.

#### **Q. Households Eligible for Supportive Housing Units**

As defined in Section 7341, in order to be eligible for *Supportive Housing units*, households must be homeless or at-risk of homelessness, and include a disabled adult as specified below.

1. "Homeless" means:

- moving from an emergency shelter; or
- moving from transitional housing; or
- currently homeless, means:
  - An individual who lacks a fixed, regular, and adequate nighttime residence; or
  - An individual who has a primary nighttime residence that is:
    - i. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); or
    - ii. An institution that provides a temporary residence for individuals intended to be institutionalized; or
    - iii. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or

2. "At-risk of homelessness" means:
  - Households with incomes at or below the greater of 20 percent of SMI or AMI with no rental subsidy available to the household; or
  - Households with incomes above 20 percent but not exceeding 30 percent of the greater of SMI or AMI who:
    - Face immediate eviction and have been unable to identify a subsequent residence; or
    - Face imminent release from an institution (i.e., jail, hospital or foster care system) where other housing placement resources are not available; or
    - Reside in an overcrowded setting (more than two persons per living/sleeping area) in which the household does not hold a lease; or
    - Reside in substandard housing subject to a current official vacation notice (notice to vacate); or
    - Pay more than 50 percent of income in housing costs.
3. A "disabled adult" is a person 18 years of age or older, or an emancipated minor with a qualifying disability. Qualifying disabilities are:
  - Mental illness; or
  - HIV or AIDS; or
  - Substance abuse; or
  - Developmental disability; or
  - Long-term chronic health condition that qualifies them for:
    - Eligibility under either of two Medicaid Waiver programs, the Multipurpose Senior Services Program or the Assisted Living Waiver Pilot Program (or its successor);
    - Eligibility for 20 or more personal care hours per week under the In-Home Supportive Services Program; or
    - Eligibility for services under the Program of All Inclusive Care for the Elderly.

Eligibility for these programs must be established by the agency responsible for determining eligibility for the benefits it provides.

## **R. Supportive Service and Property Management Requirements**

Projects shall be designed to provide affordable housing with access to an array of services and amenities for tenants whose ability to live independently would be improved by the availability of such services and amenities. Supportive Housing projects shall be linked to on-site or off-site services that assist the tenant to: retain the housing, improve his or her health, and to maximize his or her ability to live and where possible, work in the community. As part of the MHP application, Sponsors must submit a Supportive Housing Project Plan that meets the requirements of Sections 7345 and 7342(e) and (f).

## **S. Funding Compatibility**

Sponsors typically anticipate using an array of funding sources for the construction and permanent financing of their projects. The Sponsor should determine, prior to applying for the MHP funds, that the requirements of the non-MHP funding sources are compatible with the requirements of the MHP. For example, compatibility issues have arisen with local and federal funding sources related to:

- The required terms of the MHP security when the security for the MHP loan is in a leasehold interest (UMR Section 8316).
- The MHP prohibition of senior debt that has a provision for a “balloon” payment. Often bond financing provisions include interest rate resets with potential calls prior to the full amortization term of the loan. Any interest rate resets or similar provisions governing senior debt shall contain a specified interest rate cap, subject to HCD’s approval and shall not jeopardize the feasibility of the project. Details of this issue and HCD’s policy may be found on the website at <http://www.hcd.ca.gov/fa/mhp/MHP-LoanClosing/ManagementMemo07-01.doc>.
- Under MHP, senior debt with a variable interest rate is underwritten at the ceiling interest rate.
- The mandatory payment to HCD of the 0.42 percent debt service.
- The MHP requirement to target some of the project rents to extremely low-income households that are below the federal income eligibility standard. The State statutory requirement that projects financed with MHP pay no less than the State prevailing wage rate.

#### **T. Prevailing Wage Requirements**

Pursuant to Health and Safety Code Section 50675.4(c)(2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code Section 1720 et seq.

#### **U. Important Legal Matters**

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

Sponsors must also be very careful to avoid violation of fair housing laws. HCD will review proposed tenant selection criteria for potential violations of these laws. A useful resource is “*Between the Lines, A Question and Answer Guide on Legal Issues*” in Supportive Housing, published by the Corporation for Supportive Housing available online at [www.csh.org](http://www.csh.org).

In evaluating the tenant selection criteria for Supportive Housing applications, HCD will first examine whether the criteria resulted from federal or state funding, as an indicator of legislative authorization. It will then review other aspects of the selection criteria, the services and facilities proposed to meet the needs of the targeted group and the proposed sources of other funding.

If an applicant disagrees with HCD’s determination, it may seek an alternate opinion from the California Department of Fair Employment and Housing (DFEH). HCD will defer to DFEH’s opinion. Please be advised that a proposal may have substantial discrimination problems even though it targets a group specifically listed in the definition of Supportive Housing or Special Needs Populations in Sections 7301(r) and 7341.

## V. Application Point Scoring

The criteria that will be used to score projects are described in Sections 7320 and 7346, and summarized below. Projects must receive a minimum point score of 125, as determined by HCD, in order to be considered for a funding award. Additionally, projects must score at least four points in Development and Ownership Experience of the Project Sponsor (Application Attachment D3) at least five points in Project Readiness (Application Attachment D6).

Scoring Category	Max. Points	Comments
Extent Project serves the lowest income levels	35	The income levels referenced in the regulations are posted the Department's website.
Extent the Project Addresses The Most Serious Local Housing Needs	15	Local housing need is established on the basis of verification by the locality and for some mixed projects, by documenting the market vacancy rate.
Development and Ownership Experience of the Sponsor	20	Minimum point score of four points is required. Experience for the prior 10 years is considered.
Percentage of units for families or Supportive Housing units and "At-Risk" Rental Housing Developments	35	Because projects eligible to apply under this NOFA must have at least 35 percent supportive housing units, they will automatically receive full points in this scoring category.
Leverage of Other Funds	20	Projects demonstrating program collaboration focus on measurable outcomes and service utilization tracking will receive a competitive advantage in the leverage category. See application and Section 7346(c) for specific requirements.
Project Readiness	15	Minimum point score of five points is required. The total score is the sum of point awards in six sub-categories measuring readiness.
Adaptive Reuse / Infill / Proximity to Amenities / Sustainable Building Methods	10	Projects demonstrating compliance with the conditions of any subcategory will receive full points in this category.
Local Commitment of At Least Five Years For Services or Rental Subsidy	5	Bonus points awarded to applications documenting such commitments for at least five years.
Catalyst Program Award	5	Projects receiving an award from The Catalyst Program will receive five bonus points.
Homeless Veteran or Developmentally Disabled Populations (Including those with Autism)	5	Projects with at least 35 percent of units serving either of these populations will receive five bonus points
<b>Total Maximum Points</b>	<b>165</b>	

**Tiebreaker:** In the event of tied point scores, HCD shall rank tied applications primarily based on whether the projects have set aside at least 75 percent of the total project units for homeless veteran or developmentally disabled households (including those with autism). Secondly, projects will be ranked based on the lowest weighted average affordability of restricted units per the MHP Regulations Section 7320.

Projects must receive a minimum point score of 125, as determined by HCD, in order to be considered for a funding award. Furthermore, projects must receive a minimum of four points in the Development and Ownership Experience of the Sponsor category, and a minimum of five points in the Project Readiness category.

#### **W. Disclosure of Application**

Information provided in this application will become public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosed to any person making a valid public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to HCD, the Sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request. Questions should be directed to MHP staff. For contact information, see the second page of the MHP Supportive Housing Application Attachment.

# MHP Supportive Housing Program Workshop Registration Form

The Multifamily Housing Program (MHP) workshop is designed to provide training on the MHP application and technical assistance for applicants. It is strongly recommended that you attend. To attend, please complete and submit this form (no cover sheet is needed) via e-mail to [tmadrid@hcd.ca.gov](mailto:tmadrid@hcd.ca.gov) or FAX to (916) 445-0117 at least 24 hours before the workshop date.

***Printed materials will not be provided at the workshop. Materials will be made available from HCD's website or via e-mail by request.***

<b>Name of Attendee(s):</b>	
<b>Name of Organization:</b>	
<b>Address:</b>	
<b>City, Zip Code:</b>	
<b>E-mail:</b>	
<b>Phone Number:</b>	
<b>Fax:</b>	

Please check the location of the Workshop you plan to attend:

\_\_\_\_\_ Irvine – June 5<sup>th</sup> (Wednesday)      \_\_\_\_\_ Sacramento – June 7<sup>th</sup> (Friday 7)