

Proposed VHHP Round 3 Guidelines Revision Summary

October 4, 2016

Context

The Department of Housing and Community Development (HCD), in conjunction with the California Housing Finance Agency (CalHFA) and the California Department of Veterans Affairs, administer the Veterans Housing and Homeless ness Prevention (VHHP) Program. To date, \$176 million have been awarded to 45 developments in two Notice of Funding Availability (NOFA) application cycles. These developments will provide over 1,500 housing units for veterans, including over 900 units for homeless veterans. The next NOFA is estimated to be released in November 2016. Proposed revisions to the VHHP program guidelines for the third NOFA are generally limited in scope, with the exception special rules for a \$10 million legislatively mandated set-aside in accordance with AB 1622 of 2016.

Proposed Changes from Round 2 Guidelines

- 1) **Minimum required readiness score.** To direct awards to projects able to house veterans sooner rather than later, the proposal is to notch up the required minimum readiness score, from 5 points out of 15 to 7.5. §102(p) and §110(d)(3)
- 2) **Minimum required rental / operating subsidy score.** To ensure that all projects have at least some units affordable to veterans with minimal incomes, it is proposed that all projects achieve a minimum 4 points scored in this category -- which would require 20% of the supportive/transitional or ELI units to have committed subsidies. §110(d)
- 3) **Tiebreaker.** The following scoring tiebreakers are proposed, to be applied in descending order:
 - 1) The percentage of Assisted Units restricted to Supportive Housing for Chronically Homeless Veterans.
 - 2) The readiness score.
 - 3) The percentage of Assisted Units with 2 or more bedrooms with an occupancy preference for households with children.
 - 4) The Supportive Services Plan point score.
 - 5) Leveraging of state subsidy funds (excluding- CalHFA senior debt and tax credits) with other resources. §111
- 4) **Eliminate the Operating Reserve Offset Tranche.** Sponsors have been very successful in securing rental assistance, so there does not appear to be pressing need to continue this option. Accordingly, it is proposed for elimination. Deleted §103 (e),(g) and (h)
- 5) **Treatment of multiple HCD funding sources.** To maximize overall unit production and encourage more leveraging of local and federal sources, the draft guidelines prohibit use of

more than one state funding source on a unit (not including tax credits or CalHFA senior debt). This would allow multiple state funding sources on the project, but only one single source per unit. §101(b)

6) Avoiding overconcentration of persons with disabilities. To promote the integration of persons with disabilities with the general public, the draft guidelines would require that less than half of the total units in the project be restricted to veterans who qualify as either “chronically homeless” or “homeless with a disability,” as both categories require disability. §102(d)(4)

7) Encouraging projects that do not use 9% credits, especially those serving the chronically homeless. §103(e)(4) and §111(d)(3)

To encourage greater utilization of 4% credits, or projects that do not need credits, and to encourage the need for fewer sources of state funding, the following changes are proposed: a) increase per-unit loan limits for 4% project by \$15,000; b) reduce per unit loan limits for 9% projects by \$20,000; and c) revise the development funding leverage category to allow 4% projects to achieve full points if VHHP funding covers no more than 50% of project costs, provided that at least 30% of the VHHP units are restricted to the chronically homeless (full points now require VHHP funding to not exceed 40% of project costs). The examples below illustrates the results of these changes:	Current	Proposed
4% Per-Unit Loan Limit – LA 30% AMI 1 bdrm	\$147 K	\$162 K
9% Per-Unit Loan Limit – LA 30% AMI 1 bdrm	\$132 K	\$112 K
Spread between 4% and 9% limits	\$15 K	\$50K
Maximum per unit loan amount for 4% projects w/ CH units that maximizes leverage score (based on average TDC in Round 2)	\$150 K	\$187 K

- 8) \$10 Million Set-Aside:** Section 121 establishes special rules for use of \$10 million set-aside for transitional housing and emergency shelters, in accordance with AB 1622 of 2016 (excerpted below).
- 9) Minimum required units restricted to veterans.** To ensure sufficient focus on the particular needs of veterans, the proposal is to require that the greater of 20% of all units in a project or 5 units be restricted to veterans, either under VHHP or some other public agency program. §102(c)
- 10) Technical changes.** The remainder of the proposed changes are technical in nature, such as the date update in §100(b), and the clarification in §103(a) regarding use of funds for capital assets.

AB 1622 Excerpt

Of the funds appropriated in this item, \$10,000,000 shall be made available by the Department of Housing and Community Development, in consultation with the Department of Veterans Affairs, for loans to counties or private nonprofit organizations, or both, for the construction or rehabilitation of transitional housing or shelter facilities that provide services for homeless veterans. The Department of Housing and Community Development shall include in the guidelines priority for applicants that demonstrate need and focus on long-term solutions, including funding for mental health and addiction treatment services, as well as having proven long-term effectiveness.